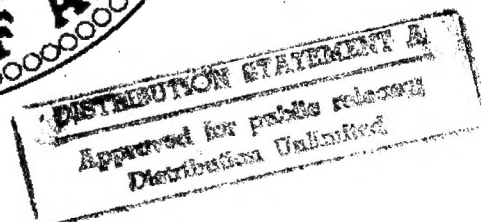
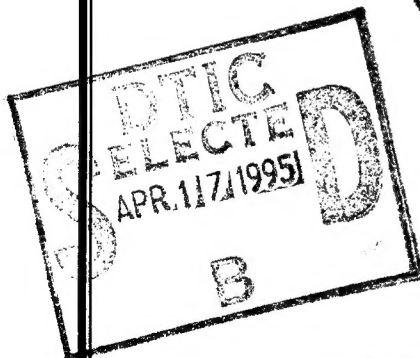


# DEPARTMENT OF THE ARMY

## FY 1996/1997 BUDGET ESTIMATES

SUBMITTED TO CONGRESS FEBRUARY 1995



DEFENSE BUSINESS OPERATIONS FUND

19950414 095

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET

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# Defense Business Operations Fund

## Army

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## **ARMY OVERVIEW**

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DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET

ARMY OVERVIEW

**BACKGROUND**

The Department of the Army has historically operated a significant number of its organic commercial and industrial facilities under revolving fund concepts to encourage these activities to function in a more efficient and businesslike manner and to provide the additional flexibility needed to properly manage these facilities under changing workload conditions. The support services provided by the Defense Business Operations Fund businesses are absolutely essential to the success of the Operating Forces, and the businesses themselves are an integral part of the defense team.

**ARMY-MANAGED BUSINESSES**

The Army manages four business areas within the Defense Business Operations Fund.

Supply Management, Army. This business area buys and maintains assigned stocks of materials for sale to its customers, primarily Army operating units. The availability of this materiel is linked to equipment and operational readiness and the war fighting readiness and abilities of Army units. The business area consists of one wholesale division and eight retail subdivisions. Seven of the retail subdivisions are organized by command; the eighth subdivision is organized by function. The wholesale division is organized by type of secondary item with four major subordinate commands managing consumable and reparable items. The division also includes one program for DLA-managed prepositioned war reserves under Army control.

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET

ARMY OVERVIEW

**Depot Maintenance - Other.** This business area maintains end items and depot-level reparable. Its mission encompasses the full range of depot maintenance services, including overhaul, rebuild, conversion, renovation, modification, repair, inspection and test, manufacture, fabrication and reclamation of materiel, as well as other maintenance support services. Installations store, maintain, distribute and demilitarize ammunition, and perform base support host operations. The business area consists of thirteen government-owned and operated depots and depot activities.

**Depot Maintenance - Ordnance.** The mission of this business area is to manufacture, renovate and demilitarize ordnance materiel for all Services within the Department of Defense and foreign military customers. The business consists of three arsenals and two ammunition plants that provide depot operations, depot maintenance, set assembly, tenant support and national procurement services for thin and thick walled cannon. The five government-owned and operated manufacturing and ordnance activities are responsible for logistics management including follow-on procurement, production, maintenance, engineering and integrated logistics support management.

**Information Services.** This business is new in FY 1996 to provide for the development and operational sustainment of automated information systems (i.e., requirements definition, system design, development, testing, integration, implementation support, and documentation services) to be performed at five systems and integration management activities/software development centers. These functions were formerly financed in an appropriated-fund environment.

In February 1994, the provisional Industrial Operations Command (IOC) was created to consolidate the management responsibility for depot maintenance. The IOC, located at Rock

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET

ARMY OVERVIEW

Island, Illinois, consolidates management of former Army Armament, Munitions and Chemical Command (AMCCOM) elements, including Army Depot Maintenance-Ordnance, and Army Depot Maintenance-Other (formerly managed by Depot Systems Command (DESCOM)). The IOC commands all Army depots, depot activities, ammunition plants, three arsenals, and other Army industrial activities. This consolidation results in savings in management headquarters costs.

In fiscal year 1996, the depot maintenance business areas will decapitalize the chemical demilitarization and storage mission to the U.S. Army Chemical Biological Defense Command (CBDCOM). The CBDCOM will be considered a tenant on the affected installations and will reimburse the business areas for base support costs.

**PERSONNEL RESOURCES**

A key objective of the Army-managed DBOF businesses is to have the optimum mix of appropriately skilled people to match workload requirements. Reductions will be accomplished, to the maximum extent possible, through voluntary separations and hiring freezes. As a result, skill mismatches between the workforce and the workload requirements may be created. Such mismatches may cause unprogrammed losses as the Department dramatically downsizes.



DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET

ARMY OVERVIEW

Civilian and military end strengths and workyears, by business area, are as follows:

	FY 94	FY 95	FY 96	FY 97
<b>SUPPLY MANAGEMENT, ARMY</b>				
Civilian End Strength	4,503	4,312	4,178	4,072
Civilian Work Years (Regular)	4,959	4,611	4,346	4,286
Military End Strength	69	22	22	20
Military Work Years	58	52	22	20
<b>DEPOT MAINTENANCE - OTHER</b>				
Civilian End Strength	17,500	17,003	16,319	15,042
Civilian Work Years (Regular)	18,261	17,712	16,596	15,737
Military End Strength	468	440	221	221
Military Work Years	424	413	221	221
<b>DEPOT MAINTENANCE - ORDNANCE</b>				
Civilian End Strength	6,125	5,136	5,055	4,775
Civilian Work Years (Regular)	6,320	6,118	5,594	5,513
Military End Strength	74	54	25	25
Military Work Years	60	60	25	25
<b>INFORMATION SERVICES</b>				
Civilian End Strength			1,285	1,285
Civilian Work Years (Regular)			1,285	1,285
Military End Strength			300	300
Military Work Years			300	300

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET

ARMY OVERVIEW

**COST OF GOODS SOLD**

Total costs decline during the budget years as a result of mission transfers, elimination of missions, and BRAC-related workload reductions. Costs are reflected below by business area (\$M):

	FY 94	FY 95	FY 96	FY 97
<b>SUPPLY MANAGEMENT, ARMY</b>	10,181.9	9,636.4	9,372.4	9,178.6
<b>DEPOT MAINTENANCE - OTHER</b>	1,750.9	1,700.3	1,668.9	1,655.9
<b>DEPOT MAINTENANCE - ORDNANCE</b>	570.9	566.4	531.9	531.9
<b>INFORMATION SERVICES</b>			185.3	185.3

**NET AND ACCUMULATED OPERATING RESULTS** The DBOF operates on a break-even basis over the budget cycle. The Army sets annual revenue rates to achieve positive or negative results, in order to bring Accumulated Operating Results to zero in the budget years. The business area's effectiveness is measured by comparing performance to goal, rather than simple calculation of net operating results. Net and accumulated operating results are reflected below (\$M):

	FY 94	FY 95	FY 96	FY 97
<b>SUPPLY MANAGEMENT, ARMY</b>				
Net Operating Result	-59.3	53.8	-3.6	0
Accumulated Operating Result	-50.2	3.6	0	0
<b>DEPOT MAINTENANCE - OTHER</b>				
Net Operating Result	-31.0	210.5	-69.5	0
Accumulated Operating Result	-141.0	69.5	0	0
<b>DEPOT MAINTENANCE - ORDNANCE</b>				
Net Operating Result	-10.9	59.7	4.3	0
Accumulated Operating Result	-63.9	-4.3	0	0
<b>INFORMATION SERVICES</b>				
Net Operating Result			0	0
Accumulated Operating Result			0	0

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET

ARMY OVERVIEW

**CAPITAL BUDGET**

The businesses seek to maintain and develop capabilities through equipment acquisition and the execution of minor construction projects. The budget request provides for equipment acquisition to replace obsolete and unserviceable equipment, repair processes modernization, elimination of environmental hazards, and decrease in repair costs through productivity improvements. The following table displays the capital budget authority for FY 1994 through FY 1997, by business area (\$M):

	FY 94	FY 95	FY 96	FY 97
SUPPLY MANAGEMENT, ARMY	16.0	18.6	11.0	10.0
DEPOT MAINTENANCE - OTHER	70.4	24.5	62.9	50.1
DEPOT MAINTENANCE - ORDNANCE	20.8	6.6	21.7	17.5
INFORMATION SERVICES			0	0

**UNIT COSTS**

Unit costing is the methodology established in the DBOF to authorize and control costs. Unit cost goals allow activities to respond to workload changes by setting goals to reduce costs when workload declines and to provide for the additional cost authority necessary to meet increased customer demand. In the Depot Maintenance-Other business, transfers of the chemical and special weapons missions, as well as productivity initiatives such as updating of methods and standards, are resulting in decreasing costs per direct labor hour. On the other hand, the Depot Maintenance-Ordnance business area's costs per direct labor hour increase as a result of fixed costs being spread over a decreasing order base.

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET

ARMY OVERVIEW

The following unit cost goals have been established for the Army-managed businesses:

	FY 94	FY 95	FY 96	FY 97
<b>SUPPLY MANAGEMENT, ARMY</b>				
Wholesale: Cost/\$ Gross Sales	\$.88	\$.85	\$.84	\$.87
Retail: Cost/\$ Gross Sales	\$1.00	\$.99	\$.99	\$.99
<b>DEPOT MAINTENANCE - OTHER</b>				
\$ per Direct Labor Hour	\$90.51	\$88.23	\$84.01	\$83.83
<b>DEPOT MAINTENANCE - ORDNANCE</b>				
\$ per Direct Labor Hour	\$86.62	\$82.46	\$88.56	\$90.27
<b>INFORMATION SERVICES</b>				
To be determined				

**CUSTOMER RATE CHANGES**

In FY 1996, business area rates have been set to recover prior year losses or return prior year gains. Rate changes are expressed as a percentage change from the rate charged in the previous year. The FY 1996 rate decreases in the depot maintenance businesses are primarily due to return of prior year gains. Rate changes are shown in the following table.

	FY93-94	FY94-95	FY95-96	FY96-97
<b>SUPPLY MANAGEMENT, ARMY</b>	+0.2%	+8.0%	+5.3%	+4.1%
<b>DEPOT MAINTENANCE - OTHER</b>	+2.3%	+15.6%	-23.1%	+9.9%
<b>DEPOT MAINTENANCE - ORDNANCE</b>	-7.0%	+25.8%	-14.1%	+17.3%
<b>INFORMATION SERVICES</b>			N/A	N/A

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET

ARMY OVERVIEW

**REVENUE**

The following table displays expected revenue by business area (\$M):

	FY 94	FY 95	FY 96	FY 97
SUPPLY MANAGEMENT, ARMY	10,127.6	9,736.6	9,490.0	9,227.6
DEPOT MAINTENANCE - OTHER	1,695.6	1,951.8	1,615.9	1,671.7
DEPOT MAINTENANCE - ORDNANCE	567.0	626.1	536.2	531.9
INFORMATION SERVICES	-0-	-0-	185.3	185.3

**WORKLOAD**

Generally, workload is declining in the budget years due to continued downsizing of the operating forces. In the Supply Management business area, workload reductions in pipeline replacements are based on efforts to decrease lead-times.

	FY 94	FY 95	FY 96	FY 97
SUPPLY MANAGEMENT, ARMY				
Line Items Managed	212,743	206,652	182,285	182,285
Requisitions Recv'd (\$M)	4,334.8	4,381.6	4,205.6	4,024.9
Receipts	446,031	552,701	546,014	529,161
Issues	1,525,526	1,680,471	1,616,800	1,579,749
Contracts Executed	9,423	9,143	9,108	7,650
DEPOT MAINT - OTHER DLH 000	19,344	19,272	19,865	19,752
DEPOT MAINT - ORD DLH 000	6,591	6,869	6,006	5,892
INFORMATION SERVICES	None est'd			

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET

ARMY OVERVIEW

**CUSTOMER REVENUE RATES**

In the Depot Maintenance business areas, customer revenue rates are set per direct labor hour. These rates are stabilized so that the customer's buying power is protected in the year of execution. The following table shows the revenue rate per direct labor hour for the depot maintenance businesses:

	FY 94	FY 95	FY 96	FY 97
DEPOT MAINTENANCE - OTHER	\$94.73	\$109.51	\$84.24	\$92.61
DEPOT MAINTENANCE - ORDNANCE	\$78.48	\$98.73	\$84.78	\$99.43

**SUPPLY INVENTORY AND MATERIEL REPLACEMENT**

The Supply Management business area inventory decreases by \$0.5 billion between FY 1995 and FY 1996 and by \$4.2 billion between FY 1996 and FY 1997. Force structure changes, the Reduced Price Initiative and the Army Total Inventory Management program are all contributing factors to the decrease. Ongoing lead-time reduction initiatives should lead to future inventory reductions.

The Supply Management business area has been limited by law in materiel replacement rate (the percentage of sales that can be reordered) between FY 1991 and FY 1995. The FY 1995 budget included a materiel replacement rate of 62 percent. although there is no statutory limitations in FY 1996 and FY 1997, the Army has constrained the materiel replacement rate to 80 percent.

**PERFORMANCE INDICATORS**

Performance indicators for the depot maintenance business areas are labor hour costs, net operating results, unit cost, and schedule conformance. The goals for these are to execute labor hour costs at or below budgeted levels, to achieve or exceed budgeted operating results, and to complete at least 95% of items worked on schedule.

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET

ARMY OVERVIEW

Stock availability measures the percentage of Supply Management, Army (SMA) requisitions satisfied upon initial processing in the wholesale supply system. The SMA target for Stock Availability is 85 percent. FY 1995, FY 1996, and FY 1997 budget requirements are based on the 85 percent target. FY 1994 SMA performance is indicated below:

Quarter	Percent
1st	85.1
2d	86.9
3d	89.1
4th	89.4

COST OF DEPOT LEVEL REPARABLES

The cost of Depot Level Reparables (DLRs) in the Supply Management business area continues to decrease, consistent with the decrease in DLR demands and sales. The Army has fully implemented the Stock Funding Depot Level Reparables initiative and continues to exceed the target demand reduction goals

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
REVENUE AND EXPENSES  
(Dollars in Millions)

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
Revenue:				
Gross Sales	12,389.5	12,314.5	11,829.0	11,616.5
Operations	(12,231.9)	(12,119.1)	(11,651.0)	(11,441.6)
Capital Surcharge	(32.8)	(87.4)	(67.7)	(64.8)
Depreciation exc Maj Const	(107.9)	(107.9)	(108.7)	(110.1)
Major Construction	(17.6)			
Other Income				
Total Income	12,389.5	12,314.5	11,829.0	11,616.5
Expenses:				
Cost of Material sold frm Inventory	6,496.4	6,272.2	5,828.3	5,798.3
Negotiated Purchases from Customer	2,987.5	2,735.0	2,890.1	2,701.2
Transportation	93.3	87.9	72.7	71.1
Salaries and Wages:				
Military Personnel	25.2	18.4	20.3	21.1
Civilian Personnel	1,301.0	1,309.8	1,307.6	1,292.9
Materials, Supplies and				
Parts used in Operations	587.9	627.5	631.5	628.5
Facility Repair Charge	62.4	70.3	70.9	72.0
Depreciation - Capital	84.3	69.2	73.9	74.4
Engineering Services	42.8	42.1	65.8	65.0
Lease Costs	25.9	25.7	28.1	28.6
Purchased Utilities	38.3	41.2	44.0	45.1
Purchased Communications	4.1	4.3	5.5	5.7
Equipment Maintenance	34.7	25.2	25.5	26.1
Fuel	13.1	10.9	12.1	13.0
Other Expenses	629.7	557.0	676.4	687.8
Total Expenses	12,426.6	11,896.6	11,752.9	11,530.7
Work in Process Adj	77.1	6.5	5.6	21.0
Cost of Goods Sold	12,503.7	11,903.1	11,758.5	11,551.7
Operating Result	(114.2)	411.4	70.5	64.8
- Other Changes Affecting NOR/AOR	16.6		70.0	
- Capital Surcharge Reservation		87.4	67.7	64.8
NET OPERATING RESULT	(97.6)	324.0	(67.2)	(0.0)
Prior Year AOR	(159.2)	(256.8)	67.2	
Accumulated Operating Results	(256.8)	67.2	(0.0)	(0.0)



DEFENSE BUSINESS OPERATIONS FUND - ARMY  
SOURCE OF REVENUE (NEW ORDERS)  
(Dollars in Millions)

	FY 1994	FY 1995	FY 1996	FY 1997
	-----	-----	-----	-----
1. Orders from DoD Components:				
ARMY	7,078.9	7,203.4	6,983.1	6,739.2
NAVY	94.3	102.5	95.4	98.6
AIR FORCE	186.4	199.9	183.7	180.9
MARINE CORPS	82.0	92.0	95.7	93.9
OTHER	535.7	550.2	527.9	515.9
2. Orders from DBOF	3,507.9	3,557.4	3,283.8	3,257.4
Business Areas				
3. Total DoD	11,485.2	11,705.4	11,169.6	10,885.9
4. Other Orders:				
Foreign Military Sales (FMS)	378.0	370.6	333.4	355.4
Non-DoD Agencies	63.9	82.1	129.1	108.0
Other Federal Agencies	62.3	62.8	68.8	66.1
5. Total Gross Orders	11,989.4	12,220.9	11,700.9	11,415.4
6.- Change to Backlog (Backorders	(70.6)	57.9	36.6	0.4
7. Total Gross Sales	11,874.7	12,163.0	11,664.3	11,415.0

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
MATERIAL INVENTORY DATA  
(Dollars in Millions)  
FISCAL YEAR 1994

	<u>Total</u>	<u>Mobilization</u>	<u>----- Peacetime -----</u> <u>Operating</u>	<u>Other</u>
Materiel Inventory BOP	14,571.0	2,751.0	9,504.6	2,315.4
BOP Reclassification Changes	0.0	182.8	759.4	(942.2)
Price Changes	(438.6)	(17.3)	(202.5)	(218.8)
Receipts from Commercial Sources	7,150.4	116.6	7,007.4	26.4
Negotiated Purchase from Customers and Returns without Credit	8,612.3	0.0	2,228.8	6,383.5
Gross Sales	10,127.6	3.1	10,124.5	0.0
Materiel Inventory Adjustments				
CAPITALIZATIONS + OR (-)	248.4	110.4	171.2	(33.2)
RETURNS TO SUPPLIERS (-)	(2,243.8)	0.0	(22.3)	(2,221.5)
TRANSFERS TO PROP. DISP. (-)	(2,782.7)	0.0	0.0	(2,782.7)
ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(312.2)	(27.6)	4.0	(288.6)
OTHER (list)	(1,341.1)	114.1	(484.4)	(970.8)
TOTAL ADJUSTMENTS	(6,431.4)	196.9	(331.5)	(6,296.8)
Materiel Inventory EOP	13,336.1	3,226.9	8,841.7	1,267.5
ECONOMIC RETENTION (memo)				1,620.1
NUMERIC RETENTION (memo)				655.8
POTENTIAL EXCESS (memo)				39.5
Materiel Inventory on Order				
EOP (memo)	3,192.0	153.4	3,038.6	0.0

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
MATERIAL INVENTORY DATA  
(Dollars in Millions)  
FISCAL YEAR 1995

	Total	Mobilization	---- Peacetime ---- Operating	Other
Materiel Inventory BOP	13,336.1	3,226.9	8,841.7	1,267.5
BOP Reclassification Changes	0.0	66.4	683.6	(750.0)
Price Changes	1,009.2	108.2	538.2	362.8
Receipts from Commercial Sources	6,322.9	88.6	6,233.9	0.4
Negotiated Purchase from Customers and Returns without Credit	6,818.7	0.0	1,893.1	4,925.6
Gross Sales	9,736.6	0.0	9,736.6	0.0
Materiel Inventory Adjustments				
CAPITALIZATIONS + OR (-)	(159.9)	56.4	(131.9)	(84.4)
RETURNS TO SUPPLIERS (-)	(2,557.8)	(8.2)	(82.9)	(2,466.7)
TRANSFERS TO PROP. DISP. (-)	(1,857.7)	0.0	0.0	(1,857.7)
ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(16.0)	(32.0)	4.4	11.6
OTHER (list)	(359.6)	(37.7)	(121.1)	(200.8)
TOTAL ADJUSTMENTS	(4,951.0)	(21.5)	(331.5)	(4,598.0)
Materiel Inventory EOP	12,799.3	3,468.6	8,122.4	1,208.3
ECONOMIC RETENTION (memo)				845.8
POLICY RETENTION (memo)				338.3
POTENTIAL EXCESS (memo)				24.2
Materiel Inventory on Order				
EOP (memo)	2,780.2	318.1	2,462.1	0.0

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
MATERIAL INVENTORY DATA  
(Dollars in Millions)  
FISCAL YEAR 1996

	Total	Mobilization	----- Peacetime ----- Operating	Other
Materiel Inventory BOP	12,799.3	3,468.6	8,122.4	1,208.3
BOP Reclassification Changes	0.0	(32.5)	532.7	(500.2)
Price Changes	290.6	32.6	137.5	120.5
Receipts from Commercial Sources	6,033.9	32.2	6,001.2	0.5
Negotiated Purchase from Customers and Returns without Credit	6,837.9	0.0	2,201.9	4,636.0
Gross Sales	9,490.0	0.0	9,490.0	0.0
Materiel Inventory Adjustments				
CAPITALIZATIONS + OR (-)	1.7	63.4	(61.7)	0.0
RETURNS TO SUPPLIERS (-)	(2,139.1)	0.0	0.0	(2,139.1)
TRANSFERS TO PROP. DISP. (-)	(1,415.2)	0.0	0.0	(1,415.2)
ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	32.5	14.4	3.9	14.2
OTHER (list)	(309.7)	(45.4)	(126.2)	(138.1)
TOTAL ADJUSTMENTS	(3,829.8)	32.4	(184.0)	(3,678.2)
Materiel Inventory EOP	12,641.9	3,533.3	7,321.7	1,786.9
ECONOMIC RETENTION (memo)				1,250.8
POLICY RETENTION (memo)				500.3
POTENTIAL EXCESS (memo)				35.7
Materiel Inventory on Order				
EOP (memo)	2,647.0	0.0	2,647.0	0.0

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
MATERIAL INVENTORY DATA  
(Dollars in Millions)  
FISCAL YEAR 1997

	Total	Mobilization	---- Peacetime ---- Operating	Other
Materiel Inventory BOP	12,641.9	3,533.3	7,321.7	1,786.9
BOP Reclassification Changes	0.0	(19.0)	169.3	(150.3)
Price Changes	357.5	41.9	165.3	150.3
Receipts from Commercial Sources	5,997.5	28.0	5,968.6	0.9
Negotiated Purchase from Customers and Returns without Credit	6,726.5	0.0	2,261.2	4,465.3
Gross Sales	9,227.6	0.0	9,227.6	0.0
Materiel Inventory Adjustments				
CAPITALIZATIONS + OR (-)	9.7	35.0	(25.9)	0.6
RETURNS TO SUPPLIERS (-)	(2,192.2)	0.0	0.0	(2,192.2)
TRANSFERS TO PROP. DISP. (-)	(1,709.4)	0.0	0.0	(1,709.4)
ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	27.9	13.1	0.2	14.6
OTHER (list)	(363.2)	(40.2)	(209.8)	(113.2)
TOTAL ADJUSTMENTS	(4,227.2)	7.9	(235.5)	(3,999.6)
Materiel Inventory EOP	12,268.6	3,592.1	6,423.0	2,253.5
ECONOMIC RETENTION (memo)				1,577.5
POLICY RETENTION (memo)				631.0
POTENTIAL EXCESS (memo)				45.1
Materiel Inventory on Order				
EOP (memo)	3,378.6	4.1	3,374.5	0.0

## **OPERATING BUDGET**

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/1997 BUDGET ESTIMATE  
SUPPLY MANAGEMENT

**FUNCTIONAL DESCRIPTION**

The Supply Management, Army (SMA) Business Area consists of a wholesale division and separate retail divisions for Army major commands. One other retail division is organized by function to support military requirements in the National Capital Region (Washington, DC). The wholesale subdivisions are organized by commodity with major subordinate commands managing assigned Army items and the Defense Logistics Agency (DLA)-managed prepositioned war reserves under Army control. Supply Management activities consist of the following:

**Retail Supply Operations**

**Retail  
Divisions**

FORSCOM:	Headquarters, US Army Forces Command
USAREUR:	Headquarters, US Army Europe
TRADOC:	Headquarters, US Army Training and Doctrine Command
USARPAC:	Headquarters, US Army Pacific Command
USAEIGHT:	Headquarters, Eighth US Army Korea
USARSO:	Headquarters, US Army Southern Command
AMC-ID:	Headquarters, US Army Materiel Command- Installation Division

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/1997 BUDGET ESTIMATE  
SUPPLY MANAGEMENT

**Type of Materiel Managed:**

Department of the Army (DA), DLA, and General Services Administration (GSA) items: items include repair parts; clothing; subsistence; medical supplies; industrial supplies; bulk and packaged Petroleum, Oil, and Lubricants (POL); general supplies; and ground support supplies.

In addition, DSS-W: Defense Supply Service - Washington, DC manages GSA items, administrative office supplies and equipment.

**Wholesale Supply Operations**

**Wholesale  
Subdivisions**

**Type of Materiel Managed**

Aviation and Troop  
Command (ATCOM)

Aircraft and ground support items

US Army Communications-  
Electronics Command (CECOM)

Communication and electronics items

US Army Missile Command  
(MICOM)

Missile systems items

US Army Tank and  
Automotive Command (TACOM)

Combat, automotive, and construction items

US Army Armament and  
Chemical Acquisition  
and Logistics Activity  
(ACALA)

Weapons, special weapons, chemical and  
fire control items

Headquarters, US  
Army Materiel Command  
(AMC-MOB)

DLA/GSA items: repair parts, clothing,  
subsistence, medical supplies, industrial  
supplies, packaged POL, general supplies,  
ground forces supplies



DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/1997 BUDGET ESTIMATE  
SUPPLY MANAGEMENT

**BUDGET HIGHLIGHTS**

Supply Management, Army (SMA) gross sales continue to decline as the Army downsizes.

(\$ in Millions)	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
Gross Sales	10,127.6	9,736.6	9,490.0	9,227.6
Obligations for Materiel (includes Depot-Level Repair of DLRs)	5,752.5	5,651.6	5,182.8	5,295.0
Credit Returns	2,987.5	2,735.0	2,890.1	2,701.2

Prices for Army-managed items will be adjusted upward an average of 5.3 percent in FY 1996 and 4.1 percent in FY 1997 to cover Wholesale Division inflation and pay raises, increased Depot Operations (discrete pricing) prices and Joint Logistics Support Center costs.

<u>Operating Results</u> (\$ in Millions)	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
Net Operating Results	-59.3	53.8	-3.6	0.0
Accumulated Operating Results	-50.2	3.6	0.0	0.0

**WORKLOAD AND ECONOMIC ASSUMPTIONS**

The following presents general workload data and economic assumptions for the Wholesale Division. (\$ in Millions)

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
SMA Line Items Managed	212,743	206,652	182,285	182,285
SMA Requisitions Received	\$4,334.8	\$4,381.6	\$4,205.6	\$4,024.9
- Receipts	446,031	552,701	546,014	529,161
- Issues	1,525,526	1,680,471	1,616,800	1,579,749
Contracts Executed	9,423	9,143	9,108	7,650
SMA Customer Rate Change	.2%	8.0%	5.3%	4.1%
SMA Purchase Inflation	2.0%	2.8%	3.0%	2.1%

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/1997 BUDGET ESTIMATE  
SUPPLY MANAGEMENT

<u>UNIT COST GOAL</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
Wholesale	\$ .88	\$ .85	\$ .84	\$ .87
Retail	\$1.00	\$ .99	\$ .99	\$ .99

<u>PERSONNEL</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
Civilian				
End Strength	4,503	4,312	4,178	4,072
Workyears	4,959	4,611	4,346	4,286
Military				
End Strength	69	22	22	20
Workyears	58	52	22	20

<u>INVENTORY</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
(\$ in Millions)	\$13,336.1	\$12,799.3	\$12,641.9	\$12,268.6

Downsizing of the Army, the Total Army Inventory Management program, and our efforts to reduce lead-times results in lower inventory levels required to support training and readiness.

SUPPLY MANAGEMENT STOCK AVAILABILITY

This statistic measures the percentage of Supply Management, Army (SMA) requisitions satisfied upon initial processing in the wholesale supply system. The SMA target for Stock Availability is 85 percent demand satisfaction. FY 1995, FY 1996 and FY 1997 budget requirements are based on the 85 percent target. Data provided reflects FY 1994 actual performance.

<u>Quarter</u>	<u>Percent</u>
1st	85.1
2d	86.9
3d	89.1
4th	89.4

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/1997 BUDGET ESTIMATE  
SUPPLY MANAGEMENT

MAJOR PROGRAMMATIC ADJUSTMENTS

Significant programmatic adjustments in the FY 1995-1997 submission include: reductions of supply systems costs resulting from the Total Army Inventory Management program; reductions in workload driven principally by force structure changes; reductions in the need to buy pipeline replacements based on our efforts to decrease lead-times; changes in the consumptive behavior of units as a result of the impacts of stock funding of depot-level reparable and re-equipping efforts which both result in lower demand for stock fund-managed materiel.

SUPPLY MANAGEMENT, ARMY  
REVENUE AND EXPENSES  
(Dollars in Millions)

	FY 1994	FY 1995	FY 1996	FY 1997
Revenue:				
Gross Sales	10,127.6	9,736.6	9,490.0	9,227.6
Operations	(10,113.2)	(9,677.3)	(9,425.7)	(9,166.6)
Capital Surcharge	(0.0)	(46.4)	(51.2)	(49.0)
Depreciation exc Maj Const	(14.4)	(12.9)	(13.1)	(12.0)
Major Construction Dep	(0.0)	(0.0)	(0.0)	(0.0)
Other Income	0.0	0.0	0.0	0.0
Refunds/Discounts (-)	0.0	0.0	0.0	0.0
Total Income:	10,127.6	9,736.6	9,490.0	9,227.6
Expenses:				
Cost of Material Sold from Inventory	6,496.4	6,272.2	5,828.3	5,798.3
Negotiated Purchases from Customers	2,987.5	2,735.0	2,890.1	2,701.2
Transportation	72.9	67.9	59.0	58.7
Salaries and Wages:				
Military Personnel	3.8	2.4	1.3	1.4
Civilian Personnel	217.4	225.7	218.4	221.0
Materials, Supplies, and				
Parts used in Operations	8.4	12.8	8.4	8.4
Facility Repair Charge	2.5	3.0	8.0	8.0
Depreciation - Capital	14.4	12.9	13.1	12.0
Contracted Engineering Services	4.1	2.8	1.5	1.5
Lease Costs	5.7	6.0	6.0	6.0
Purchased Utilities	3.0	3.0	4.0	4.0
Equipment Maintenance	4.4	4.0	4.0	4.0
Fuel	0.5	0.0	0.0	0.0
Other Expenses	360.9	288.7	330.3	354.1
Total Expenses	10,181.9	9,636.4	9,372.4	9,178.6
Operating Result	-54.3	100.2	117.6	49.0
Less Capital Surchg Reservation	0.0	46.4	51.2	49.0
Plus Appropriations Affecting NOR/AOR	0.0	0.0	0.0	0.0
Other Changes Affecting NOR/AOR	-5.0	0.0	70.0	0.0
Net Operating Result	-59.3	53.8	-3.6	0.0
Prior Year AOR	9.1	-50.2	3.6	0.0
Accumulated Operating Result	-50.2	3.6	0.0	0.0

SUPPLY MANAGEMENT, ARMY  
SOURCE OF REVENUE  
(Dollars in Millions)

	FY 1994	FY 1995	FY 1996	FY 1997
1. New Orders				
a. Orders from DoD Components:	6,624.6	6,352.7	6,288.6	6,135.9
Army	5,866.6	5,604.4	5,551.0	5,411.2
Navy	74.1	68.8	62.3	61.4
Air Force	178.3	181.9	168.5	163.4
Marine Corps	81.4	88.0	87.3	84.7
DLA	335.6	318.7	330.7	327.1
Other DoD	88.6	90.8	88.8	88.1
b. Orders from other Fund Business Areas:	3,037.3	3,043.5	2,867.1	2,712.4
c. Total DoD	9,661.9	9,396.3	9,155.7	8,848.3
d. Other Orders:	395.1	398.2	371.0	379.7
Other Federal Agencies	56.4	59.5	59.7	58.1
FMS	315.6	314.6	287.3	301.2
Non Federal Agencies	0.0	0.0	0.0	0.0
All Other	23.1	24.0	24.0	20.4
2. Carry-In Orders	0.0	0.0	0.0	0.0
3. Total Gross Orders	10,057.0	9,794.5	9,526.7	9,228.0
4. Change to Backlog	(70.6)	57.9	36.6	0.4
5. Total Gross Sales	10,127.6	9,736.6	9,490.0	9,227.6

SUPPLY MANAGEMENT, ARMY  
CHANGES IN THE COST OF OPERATIONS  
(Dollars in Millions)

	Expenses
FY 1994 Actual	10,181.9
FY 1995 President's Budget	9,454.4
Pricing	
Civilian Personnel-Pay	1.5
Program Changes	
Sales Increase	180.5
FY 1995 Current Estimate	9,636.4
Pricing	
Civilian Personnel-Pay	6.6
Supply Depot Operations	20.4
Defense Logistics Service Center/Defense Automatic Addressing System/Defense Reutilization and Marketing Service	(13.1)
Program Changes	
Civilian Personnel	(12.4)
Military Personnel	(1.1)
Supply Depot Operations	(8.7)
Sales Decrease (Force Structure)	(214.0)
Defense Logistics Service Center/Defense Automatic Addressing System/Defense Reutilization and Marketing Service	(41.8)
Logistics Support Activity/Funding-Availability Multi Method Allocation for Spares/Models	9.0
Transportation	(8.9)
FY 1996 Estimate	9,372.4
Pricing	
Civilian Personnel-Pay	8.2
Supply Depot Operations	14.7
Defense Logistics Service Center/Defense Automatic Addressing System/Defense Reutilization and Marketing Service	1.3
Program Changes	
Civilian Personnel	(3.2)
Military Personnel	0.1
Sales Decrease (Force Structure)	(229.3)
Defense Logistics Service Center/Defense Automatic Addressing System/Defense Reutilization and Marketing Service	13.7
Logistics Support Activity/Funding-Availability Multi Method Allocation for Spares/Models	1.0
Transportation	(0.3)
FY 97 Estimate	9,178.6

SUPPLY MANAGEMENT, ARMY  
MATERIAL INVENTORY DATA  
(Dollars in Millions)  
FISCAL YEAR 1994

			----- Peacetime -----	
	<u>Total</u>	<u>Mobilization</u>	<u>Operating</u>	<u>Other</u>
Materiel Inventory BOP	14,571.0	2,751.0	9,504.6	2,315.4
BOP Reclassification Changes	0.0	182.8	759.4	(942.2)
Price Changes	(438.6)	(17.3)	(202.5)	(218.8)
Receipts from Commercial Sources	7,150.4	116.6	7,007.4	26.4
Negotiated Purchase from Customers and Returns without Credit	8,612.3	0.0	2,228.8	6,383.5
Gross Sales	10,127.6	3.1	10,124.5	0.0
Materiel Inventory Adjustments				
CAPITALIZATIONS + OR (-)	248.4	110.4	171.2	(33.2)
RETURNS TO SUPPLIERS (-)	(2,243.8)	0.0	(22.3)	(2,221.5)
TRANSFERS TO PROP. DISP. (-)	(2,782.7)	0.0	0.0	(2,782.7)
ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(312.2)	(27.6)	4.0	(288.6)
OTHER (list)	(1,341.1)	114.1	(484.4)	(970.8)
TOTAL ADJUSTMENTS	(6,431.4)	196.9	(331.5)	(6,296.8)
Materiel Inventory EOP	13,336.1	3,226.9	8,841.7	1,267.5
ECONOMIC RETENTION (memo)				1,620.1
NUMERIC RETENTION (memo)				655.8
POTENTIAL EXCESS (memo)				39.5
Materiel Inventory on Order				
EOP (memo)	3,192.0	153.4	3,038.6	0.0

SUPPLY MANAGEMENT, ARMY  
MATERIAL INVENTORY DATA  
(Dollars in Millions)  
FISCAL YEAR 1995

	Total	Mobilization	---- Peacetime ---- Operating	Other
Materiel Inventory BOP	13,336.1	3,226.9	8,841.7	1,267.5
BOP Reclassification Changes	0.0	66.4	683.6	(750.0)
Price Changes	1,009.2	108.2	538.2	362.8
Receipts from Commercial Sources	6,322.9	88.6	6,233.9	0.4
Negotiated Purchase from Customers and Returns without Credit	6,818.7	0.0	1,893.1	4,925.6
Gross Sales	9,736.6	0.0	9,736.6	0.0
Materiel Inventory Adjustments				
CAPITALIZATIONS + OR (-)	(159.9)	56.4	(131.9)	(84.4)
RETURNS TO SUPPLIERS (-)	(2,557.8)	(8.2)	(82.9)	(2,466.7)
TRANSFERS TO PROP. DISP. (-)	(1,857.7)	0.0	0.0	(1,857.7)
ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	(16.0)	(32.0)	4.4	11.6
OTHER (list)	(359.6)	(37.7)	(121.1)	(200.8)
TOTAL ADJUSTMENTS	(4,951.0)	(21.5)	(331.5)	(4,598.0)
Materiel Inventory EOP	12,799.3	3,468.6	8,122.4	1,208.3
ECONOMIC RETENTION (memo)				845.8
POLICY RETENTION (memo)				338.3
POTENTIAL EXCESS (memo)				24.2
Materiel Inventory on Order				
EOP (memo)	2,780.2	318.1	2,462.1	0.0



SUPPLY MANAGEMENT, ARMY  
MATERIAL INVENTORY DATA  
(Dollars in Millions)  
FISCAL YEAR 1996

	Total	Mobilization	---- Peacetime ---- Operating	Other
Materiel Inventory BOP	12,799.3	3,468.6	8,122.4	1,208.3
BOP Reclassification Changes	0.0	(32.5)	532.7	(500.2)
Price Changes	290.6	32.6	137.5	120.5
Receipts from Commercial Sources	6,033.9	32.2	6,001.2	0.5
Negotiated Purchase from Customers and Returns without Credit	6,837.9	0.0	2,201.9	4,636.0
Gross Sales	9,490.0	0.0	9,490.0	0.0
Materiel Inventory Adjustments				
CAPITALIZATIONS + OR (-)	1.7	63.4	(61.7)	0.0
RETURNS TO SUPPLIERS (-)	(2,139.1)	0.0	0.0	(2,139.1)
TRANSFERS TO PROP. DISP. (-)	(1,415.2)	0.0	0.0	(1,415.2)
ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	32.5	14.4	3.9	14.2
OTHER (list)	(309.7)	(45.4)	(126.2)	(138.1)
TOTAL ADJUSTMENTS	(3,829.8)	32.4	(184.0)	(3,678.2)
Materiel Inventory EOP	12,641.9	3,533.3	7,321.7	1,786.9
ECONOMIC RETENTION (memo)				1,250.8
POLICY RETENTION (memo)				500.3
POTENTIAL EXCESS (memo)				35.7
Materiel Inventory on Order				
EOP (memo)	2,647.0	0.0	2,647.0	0.0

SUPPLY MANAGEMENT, ARMY  
MATERIAL INVENTORY DATA  
(Dollars in Millions)  
FISCAL YEAR 1997

	<u>Total</u>	<u>Mobilization</u>	<u>----- Peacetime -----</u> <u>Operating</u>	<u>Other</u>
Materiel Inventory BOP	12,641.9	3,533.3	7,321.7	1,786.9
BOP Reclassification Changes	0.0	(19.0)	169.3	(150.3)
Price Changes	357.5	41.9	165.3	150.3
Receipts from Commercial Sources	5,997.5	28.0	5,968.6	0.9
Negotiated Purchase from Customers and Returns without Credit	6,726.5	0.0	2,261.2	4,465.3
Gross Sales	9,227.6	0.0	9,227.6	0.0
Materiel Inventory Adjustments				
CAPITALIZATIONS + OR (-)	9.7	35.0	(25.9)	0.6
RETURNS TO SUPPLIERS (-)	(2,192.2)	0.0	0.0	(2,192.2)
TRANSFERS TO PROP. DISP. (-)	(1,709.4)	0.0	0.0	(1,709.4)
ISSUES/RECEIPTS WITHOUT REIMBURSEMENT + or (-)	27.9	13.1	0.2	14.6
OTHER (list)	(363.2)	(40.2)	(209.8)	(113.2)
TOTAL ADJUSTMENTS	(4,227.2)	7.9	(235.5)	(3,999.6)
Materiel Inventory EOP	12,268.6	3,592.1	6,423.0	2,253.5
ECONOMIC RETENTION (memo)				1,577.5
POLICY RETENTION (memo)				631.0
POTENTIAL EXCESS (memo)				45.1
Materiel Inventory on Order				
EOP (memo)	3,378.6	4.1	3,374.5	0.0

SUPPLY MANAGEMENT, ARMY  
FUEL DATA  
(Dollars in Millions)

PRODUCT	PROCURED FROM DFSC			PROCURED BY SERVICE			
	BARRELS (MILLIONS)	COST PER BARREL \$	EXTENDED PRICE (\$ MIL)	BARRELS (MILLIONS)	COST PER BARREL \$	EXTENDED PRICE (\$ MIL)	STABILIZED PRICE
FY 1994							
AVGAS	0.001	56.28	0.1	0.000	56.28	0.0	
MOGAS (L)	0.000	40.74	0.0	0.000	40.74	0.0	
MOGAS (U)	0.580	38.22	22.2	0.004	38.22	0.2	
JP-4	0.101	32.34	3.3	0.000	32.34	0.0	
JP-5	0.096	35.70	3.4	0.000	35.70	0.0	
DISTILLATES	1.093	32.76	35.8	0.344	32.76	11.3	
RESIDUALS	1.885	25.62	48.3	0.076	25.62	1.9	
GASOHOL	0.000	38.22	0.0	0.000	38.22	0.0	
JP-8	0.800	34.86	27.9	0.062	34.86	2.2	
TOTAL	4.556	30.93	140.9	0.486	31.96	15.5	0.0
FY 1995							
AVGAS	0.086	88.62	7.6	0.000	88.62	0.0	
MOGAS (L)	0.000	35.28	0.0	0.000	35.28	0.0	
MOGAS (U)	0.504	28.56	14.4	0.004	28.56	0.1	
JP-4	0.033	29.82	1.0	0.000	29.82	0.0	
JP-5	0.090	30.66	2.8	0.000	30.66	0.0	
DISTILLATES	1.018	28.56	29.1	0.354	28.56	10.1	
RESIDUALS	2.271	17.64	40.1	0.073	17.64	1.3	
GASOHOL	0.000	28.14	0.0	0.000	28.14	0.0	
JP-8	1.075	29.82	32.1	0.077	29.82	2.3	
TOTAL	5.077	25.00	127.0	0.508	27.18	13.8	0.0
FY 1996							
AVGAS	0.081	94.92	7.7	0.000	94.92	0.0	
MOGAS (L)	0.000	37.80	0.0	0.000	37.80	0.0	
MOGAS (U)	0.482	30.66	14.8	0.004	30.66	0.1	
JP-4	0.031	31.92	1.0	0.000	31.92	0.0	
JP-5	0.081	32.76	2.7	0.000	32.76	0.0	
DISTILLATES	0.984	30.66	30.2	0.354	30.66	10.9	
RESIDUALS	2.110	18.48	39.0	0.072	18.48	1.3	
GASOHOL	0.000	30.24	0.0	0.000	30.24	0.0	
JP-8	1.032	31.92	32.9	0.069	31.92	2.2	
TOTAL	4.801	26.71	128.2	0.499	29.08	14.5	0.0
FY 1997							
AVGAS	0.080	95.34	7.6	0.000	95.34	0.0	
MOGAS (L)	0.000	38.22	0.0	0.000	38.22	0.0	
MOGAS (U)	0.467	31.08	14.5	0.004	31.08	0.1	
JP-4	0.030	32.34	1.0	0.000	32.34	0.0	
JP-5	0.080	33.18	2.7	0.000	33.18	0.0	
DISTILLATES	0.962	31.08	29.9	0.353	31.08	11.0	
RESIDUALS	1.930	18.90	36.5	0.071	18.90	1.3	
GASOHOL	0.000	0.00	0.0	0.000	0.00	0.0	
JP-8	0.992	32.34	32.1	0.063	32.34	2.0	
TOTAL	4.541	27.36	124.2	0.491	29.48	14.5	0.0

SUPPLY MANAGEMENT, ARMY  
SUMMARY BY DIVISION  
(Dollars in Millions)

DIVISION	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS		TARGET TOTAL			
			OPERATING	MOB				
RETAIL								
FORSCOM								
FY 1994	1,662.3	1,665.2	1,707.0		1,707.0			
FY 1995	1,524.1	1,503.1	1,447.7		1,447.7			
FY 1996	1,463.0	1,450.6	1,411.3		1,411.3			
FY 1997	1,490.9	1,503.8	1,486.3		1,486.3			
USAREUR								
FY 1994	532.1	608.9	502.4		502.4			
FY 1995	529.4	534.0	524.9		524.9			
FY 1996	498.1	498.6	501.1		501.1			
FY 1997	465.3	465.3	465.0		465.0			
TRADOC								
FY 1994	942.9	991.4	944.3		944.3			
FY 1995	985.1	999.8	1,001.1		1,001.1			
FY 1996	974.5	987.3	960.7		960.7			
FY 1997	971.3	971.3	975.9		975.9			
USAEIGHT								
FY 1994	251.3	241.5	262.9		262.9			
FY 1995	274.6	282.8	283.0		283.0			
FY 1996	269.4	278.0	278.2		278.2			
FY 1997	266.4	275.1	275.3		275.3			
USARPAC								
FY 1994	201.1	198.5	196.9		196.9			
FY 1995	224.8	230.4	230.4		230.4			
FY 1996	213.1	216.3	216.4		216.4			
FY 1997	218.7	218.8	218.9		218.9			
USARSO								
FY 1994	87.2	72.9	73.4		73.4			
FY 1995	65.5	66.4	60.1		60.1			
FY 1996	57.8	50.3	50.3		50.3			
FY 1997	52.0	54.1	50.4		50.4			
AMC-ID								
FY 1994	304.6	320.4	321.9		321.9			
FY 1995	335.7	354.6	351.5		351.5			
FY 1996	327.7	323.4	317.0		317.0			
FY 1997	318.5	318.4	317.0		317.0			
DSS-W								
FY 1994	16.8	24.0	16.6		16.6			
FY 1995	28.9	21.2	25.0		25.0			
FY 1996	39.3	34.1	35.0		35.0			
FY 1997	40.6	37.8	40.6		40.6			

SUMMARY BY DIVISION  
(CONTINUED)

DIVISION	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS OPERATING	MOB	TARGET TOTAL
WHOLESALE					
CONSUMABLES					
ACALA					
FY 1994	162.2	171.9	117.4		117.4
FY 1995	182.7	180.3	126.4		126.4
FY 1996	199.5	198.9	108.8		108.8
FY 1997	188.5	176.6	103.7		103.7
ATCOM					
FY 1994	256.1	225.9	125.2		125.2
FY 1995	211.1	190.9	137.2		137.2
FY 1996	191.4	172.3	99.9		99.9
FY 1997	153.5	136.6	85.3		85.3
CECOM					
FY 1994	197.6	190.4	130.2		130.2
FY 1995	182.1	172.1	115.1		115.1
FY 1996	182.7	176.0	104.6		104.6
FY 1997	178.2	164.1	100.6		100.6
MICOM					
FY 1994	31.3	28.5	28.1		28.1
FY 1995	37.3	34.9	39.6		39.6
FY 1996	40.1	39.4	31.9		31.9
FY 1997	52.6	46.6	33.6		33.6
TACOM					
FY 1994	319.8	350.0	206.4		206.4
FY 1995	368.7	370.1	177.0		177.0
FY 1996	268.7	268.5	144.1		144.1
FY 1997	215.1	213.7	113.8		113.8
REPARABLES					
ACALA					
FY 1994	187.2	180.8	132.3		132.3
FY 1995	204.0	201.8	110.5		110.5
FY 1996	196.9	198.8	91.5		91.5
FY 1997	199.6	203.1	95.7		95.7
ATCOM					
FY 1994	761.0	759.5	420.6		420.6
FY 1995	719.7	718.0	408.4		408.4
FY 1996	614.6	610.0	310.8		310.8
FY 1997	604.7	632.2	346.4		346.4

SUMMARY BY DIVISION  
(CONTINUED)

DIVISION	NET CUSTOMER ORDERS	NET SALES	OBLIGATION TARGETS OPERATING	MOB	TARGET TOTAL
CECOM					
FY 1994	343.8	341.7	265.8		265.8
FY 1995	383.0	360.9	246.0		246.0
FY 1996	351.9	351.9	189.9		189.9
FY 1997	336.3	346.6	202.9		202.9
MICOM					
FY 1994	289.8	262.3	135.6		135.6
FY 1995	317.7	306.2	160.9		160.9
FY 1996	296.4	300.7	145.6		145.6
FY 1997	296.3	294.9	154.8		154.8
TACOM					
FY 1994	363.8	375.5	153.8		153.8
FY 1995	457.2	446.5	197.0		197.0
FY 1996	433.8	427.3	174.7		174.7
FY 1997	449.6	438.7	216.6		216.6
AMC-MOB					
FY 1994	5.5	5.0	8.5		8.5
FY 1995	8.0	8.0	9.8		9.8
FY 1996	9.2	9.2	11.0		11.0
FY 1997	10.2	10.2	12.2		12.2
COST OF OPS					
FY 1994			690.1		690.1
FY 1995			703.1		703.1
FY 1996			709.3		709.3
FY 1997			715.4		715.4
CAPITAL					
FY 1994			16.0		16.0
FY 1995			18.6		18.6
FY 1996			11.0		11.0
FY 1997			10.0		10.0
TOTAL					
FY 1994	6,916.4	7,014.1	6,455.5	0.0	6,455.5
FY 1995	7,039.5	6,981.9	6,373.3	0.0	6,373.3
FY 1996	6,628.1	6,591.7	5,903.1	0.0	5,903.1
FY 1997	6,508.3	6,507.9	6,020.4	0.0	6,020.4

SUPPLY MANAGEMENT, ARMY  
WHOLESALE OPERATING REQUIREMENTS  
BY WEAPON SYSTEM/CATEGORY  
(Dollars in Millions)

	FY 1995	FY 1996	FY 1997
WEAPON SYSTEM/CATEGORY			
Chemical Defense Equipment	27.6	27.4	25.3
Other Armament, Munitions and Chemicals	76.2	74.9	61.7
AH-64 Apache Helicopter	127.3	119.7	126.9
UH-60 Blackhawk Helicopter	206.3	150.0	158.0
OH-58D Kiowa Helicopter	41.7	31.9	35.5
CH-47D Chinook Helicopter	68.9	33.0	40.6
T701C Helicopter Engines	15.1	28.0	17.1
Air Delivery Equipment	33.6	16.9	14.0
Other Aviation/Troop Equipment	88.3	85.8	90.8
Mobile Subscriber Equipment	24.5	19.1	21.4
Night Vision Equipment	25.8	23.3	21.5
Batteries	32.0	28.2	26.7
Other Communications/Electronics	272.6	196.3	214.6
Mutiple Launcher Rocket System	25.9	18.3	21.5
Patriot Missile	43.6	32.8	36.7
Other Missile Systems	90.4	90.6	88.1
M1 Series Tank	172.4	137.8	150.1
M88 Recovery Vehicle	27.8	21.5	22.8
M109 Howitzer	37.5	38.7	44.0
M113 Family of Vehicles	27.3	22.7	21.1
Bradley Fighting Vehicle System	80.5	66.2	79.8
High Mobility Multi-Purpose Wheeled Vehicle	38.3	28.7	23.4
Tires	40.8	33.7	26.3
Other Tank and Automotive	93.7	-76.3	85.5
Total	1718.1	1401.8	1453.4

SUPPLY MANAGEMENT, ARMY  
Wholesale Only - Surcharge Calculation

	(FY 1994 (\$M))	(FY 1994 Sales)	(FY 1995 (\$M))	(FY 1995 Sales)	(FY 1996 (\$M))	(FY 1996 Sales)	(FY 1997 (\$M))	(FY 1997 Sales)
Composite								
1. Sales at LAP/LRP	3,637.8		3,473.0		3,299.5		3,210.6	
2. Surcharge Elements								
a. Supply Operations	396.9	10.9%	351.2	10.1%	401.8	12.2%	420.1	13.1%
b. Distribution Depot	67.2	1.8%	66.3	1.9%	78.0	2.4%	71.6	2.2%
c. DLSC/DAASO/DRMS	66.0	1.8%	70.9	2.0%	16.0	0.5%	31.0	1.0%
d. DFAS	6.9	0.2%	6.5	0.2%	9.8	0.3%	10.2	0.3%
e. Depreciation	14.1	0.4%	12.9	0.4%	13.1	0.4%	12.0	0.4%
f. Mat'l Inflation Adjustment	0.0	0.0%	97.2	2.8%	102.3	3.1%	65.0	2.0%
g. Loss/Obsolesence	0.0	0.0%	34.7	1.0%	33.0	1.0%	32.0	1.0%
h. Condemnation	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
i. Transportation	71.3	2.0%	67.9	2.0%	59.0	1.8%	58.0	1.8%
j. Capital Surcharge	0.0	0.0%	46.4	1.3%	51.2	1.6%	49.0	1.5%
k. AOR Recovery	0.0	0.0%	55.3	1.6%	(5.1)	-0.2%	0.0	0.0%
l. Other (List)	0.0							
Safety of Use/Flight	17.8	0.5%	17.3	0.5%	16.5	0.5%	16.1	0.5%
LOGSA/FAMMAS/MODELS					9.0	0.3%	10.0	0.3%
European Operations					19.3	0.6%	18.0	0.6%
Other					70.0	2.1%		
m. Total Surcharge	640.2	17.6%	826.6	23.8%	873.9	26.5%	793.0	24.7%



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DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/1997 PRESIDENT'S BUDGET  
DEPOT MAINTENANCE - OTHER

**FUNCTIONAL DESCRIPTION:**

The Depot Maintenance - Other business encompasses depot maintenance; ammunition storage, maintenance and demilitarization; base support host; and some residual depot supply operations performed by depots operating under the provisional Industrial Operations Command (IOC). Depot maintenance includes the overhaul, rebuild, conversion, renovation, modification, repair, inspection and test, manufacture, fabrication and reclamation of materiel as well as maintenance support services.

**BUSINESS AREA COMPOSITION:**

Anniston Army Depot	Anniston, Alabama
Bluegrass Army Depot	Richmond, Kentucky
Corpus Christi Army Depot	Corpus Christi, Texas
Letterkenny Army Depot	Chambersburg, Pennsylvania
Red River Army Depot	Texarkana, Texas
Tobyhanna Army Depot	Tobyhanna, Pennsylvania
Tooele Army Depot	Tooele, Utah
Sacramento Army Depot Activity	Sacramento, California
Seneca Army Depot Activity	Romulus, New York
Sierra Army Depot Activity	Herlong, California
Pueblo Army Depot Activity	Pueblo, Colorado
Savanna Army Depot Activity	Savanna, Illinois
Umatilla Army Depot Activity	Hermiston, Oregon

Base Realignment and Closure (BRAC) initiatives closed the maintenance mission at the Sacramento Army Depot Activity as of 30 September 1994; will close the Lexington portion of the Lexington Bluegrass Army Depot effective 30 September 1995; will realign Pueblo and Umatilla Depot Activities as of 30 September 1995; and will realign the maintenance mission from Tooele Army Depot to Red River Army Depot by September 1997. Realignment/consolidation of the tactical missile mission to Letterkenny Army Depot and the realignment of the rotary wing workload from the Naval Air Station, Pensacola to Corpus Christi Army Depot are ongoing.

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/1997 PRESIDENT'S BUDGET  
DEPOT MAINTENANCE - OTHER

**BUDGET HIGHLIGHTS:**

The IOC will consolidate management of the Army DBOF Depot Maintenance-Other (formerly managed by Depot Systems Command (DESCOM)) and elements of the former Army Armament, Munitions and Chemical Command (AMCCOM) including DBOF- Depot Maintenance-Ordnance. The IOC will command all Army depots, depot activities, ammunition plants, three arsenals, and other Army industrial activities. This consolidation results in savings in management headquarters costs to the Depot Maintenance - Other business area.

The chemical demilitarization and storage mission is scheduled to transfer to the Chemical and Biological Defense Command (CBDCOM) effective fiscal year 1996. The CBDCOM will become a tenant on the five affected depots/depot activities and will reimburse the Army Depot Maintenance-Other business area for base support costs.

**Personnel:**

	FY 1994	FY 1995	FY 1996	FY 1997
Civilian End Strength	17,500	17,003	16,319	15,042
Civilian Work Years	18,261	17,712	16,596	15,737
Military End Strength	468	440	221	221
Military Work Years	424	413	221	221

Civilian manpower strengths and workyears, excluding overtime, continue to decrease due to overall downsizing, transfer of the chemical mission to CBDCOM, contracting out of firefighters and security guards and BRAC related reductions at Tooele and Sacramento Army Depots.

Elimination of the special weapons mission at Sierra Army Depot and the transfer of military to the CBDCOM reduces the military end strengths.

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/1997 PRESIDENT'S BUDGET  
DEPOT MAINTENANCE - OTHER

**Costs, Operating Results (OR), and Rates:**

	FY 1994	FY 1995	FY 1996	FY 1997
Costs of G&S Sold	\$1,750.9	\$1,700.3	\$1,668.9	\$1,655.9
Net OR	\$ -31.0	\$ 210.5	\$ -69.5	\$ 0
Accumulated OR	\$ -141.0	\$ 69.5	\$ 0	0
Cust Rev Rate Per DLH	\$94.73	\$109.51	\$84.24	\$92.61
% Rate Change from PY	2.3%	15.6%	-23.08%	9.93%
Unit Costs (\$/DLH)	\$90.51	\$88.23	\$84.01	\$83.83
DLH (000)	19,344	19,272	19,865	19,752

Total costs decline during the budget years as a result of mission transfers, elimination of the special weapons mission, and BRAC related workload reductions. The rates in FY 1996 and FY 1997 are set to achieve a zero Accumulated Operating Result.

Unit costs decline primarily as a result of a switch between indirect and direct labor due to the transfer of chemical missions to CBDCOM. Also, the business expects to reduce costs as a result of updating methods and standards.

The customer revenue rate per DLH is reflective of the attempt to bring budget years' accumulated operating results to zero. The rate changes are made up of the following factors:

	FY 1996	FY 1997
JLSC Surcharge	-2.3%	-0.1%
Recoup Prior Year Losses/Gains	-24.5%	7.6%
Inflation/Pay Raise	2.0%	3.0%
Recovery Subsequent Yr Inf		.2%
Underutilized Capacity Costs	-2.7%	-1.1%
Depreciation	.2%	.1%
Workload Mix	4.3%	3.0%
Military Personnel	-.6%	
Contract Guards/Firefighters		.6%
Update of Standards	.5%	-3.4%

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/1997 PRESIDENT'S BUDGET  
DEPOT MAINTENANCE - OTHER

**Performance Indicators:** Performance effectiveness indicators for this business area are labor hour costs, net operating results and schedule conformance. The goals for these are to execute labor hour costs at or below budgeted levels, to achieve or exceed budgeted operating results, and to complete at least 95 percent of items worked on schedule.

**Economies and Efficiencies:** Productivity savings are primarily a function of the merger of DESCOM and AMCCOM to form the IOC, capital investment, and value engineering and methods and standards.

**Capital Program Authority:** The capital budget for Depot Maintenance - Other declined sharply in FY 1995 due to a Congressional cap on DBOF authority. The FY 1996 program increases to accommodate workload changes and ADPE upgrades.

**DEFENSE BUSINESS OPERATIONS FUND**  
**ARMY DEPOT MAINTENANCE – OTHER**  
**REVENUES AND EXPENSES**  
(Dollars in Millions)

	FY 1994	FY 1995	FY 1996	FY 1997
<b>Revenue:</b>				
Gross Sales				
Operations	1584.7	1876.0	1562.9	1618.5
Capital Surcharge	29.8	41.0	16.5	15.8
Depre excl Maj Const	66.7	34.8	36.5	37.4
Major Construction Depre	14.4			
Other Income				
Total Income	1695.6	1951.8	1615.9	1671.7
<b>Expenses:</b>				
Transportation	19.6	19.2	12.8	11.4
Salaries and Wages:				
Military Personnel	18.3	13.5	7.5	7.8
Civilian Personnel	805.1	801.9	768.5	755.7
Materials, Supplies and				
Parts used in Operations	469.8	501.5	516.6	529.6
Facility Repair Charge	34.7	41.9	36.8	37.1
Depreciation – Capital	41.9	23.2	24.9	25.7
Contracted Engineering Svcs	27.5	27.4	28.3	26.5
Lease Costs	4.4	3.2	2.8	3.1
Purchased Utilities	21.5	21.7	22.9	23.5
Purchased Communications	3.8	3.9	3.1	3.2
Equipment Maintenance	24.2	15.0	13.2	13.5
Fuel	8.1	8.1	9.2	10.0
Other Expenses	215.0	219.8	222.3	208.8
Total Expenses	1693.9	1700.3	1668.9	1655.9
Work in Process Adj	57.0			
Cost of Goods Sold	1750.9	1700.3	1668.9	1655.9
Operating Result	-55.3	251.5	-53.0	15.8
– Capital Surch Reservation		41.0	16.5	15.8
+ Approp Affecting NOR/AOR				
Other Chgs Affecting NOR/AOR	25.2			
NET OPERATING RESULT	-30.1	210.5	-69.5	0.0
Prior Year AOR	-110.9	-141.0	69.5	0.0
Accumulated Operating Results	-141.0	69.5	0.0	0.0

DEFENSE BUSINESS OPERATIONS FUND – ARMY OTHER  
SOURCE OF REVENUE (NEW ORDERS)  
(Dollars in Millions)

	FY 1994	FY 1995	FY 1996	FY 1997
	-----	-----	-----	-----
1. Orders from DOD Components:				
Army	919.8	1227.9	918.1	868.0
Navy	14.2	29.9	20.0	22.3
Air Force	7.7	17.8	14.0	15.3
Marine Corps	0.6	2.3	6.7	7.3
Other	76.9	69.2	46.6	51.3
2. Orders from other DBOF Business Areas	437.8	478.5	367.5	500.5
3. Total DoD	1457.0	1825.6	1372.9	1464.7
4. Other Orders:				
Other Federal Agencies	5.9	3.3	4.3	3.0
Trust Fund				
Non Federal Agencies	39.5	54.6	101.2	80.7
5. Total Gross Orders	1502.4	1883.5	1478.4	1548.4
6. Credits and Allowances:				
Discounts	0.0	0.0	0.0	0.0
Price Reductions	0.0	0.0	0.0	0.0
7. Change to Backlog	0.0	0.0	0.0	0.0
8 Total Gross Sales	1502.4	1883.5	1478.4	1548.4

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
 FY 1996/1997 PRESIDENT'S BUDGET  
 DEPOT MAINTENANCE - OTHER

Changes in Operations:

	Total Costs
1. FY 1994 Actual	\$1,750.9
2. FY 1995 President's Budget	\$1,605.6
3. Pricing Adjustments:	19.3
a. Civilian Pay	14.1
b. Fuel	-.4
c. General Purchase Inflation	5.6
4. Program Changes/Workload:	75.4
a. Transfers/consolidations of missions	35.7
b. Management Headquarters savings	-1.8
c. Contract to update standards	3.8
d. Other workload changes	37.7
5. FY 1995 Current Estimate	1,700.3
6. Pricing Adjustments:	43.3
a. Civilian Pay	16.7
b. Material and Supplies	20.7
c. General Purchase Inflation	5.9
7. Productivity Initiatives/Other Efficiencies:	-1.6
8. Program Changes/Workload:	-73.1
a. Transfer of chemical demilitarization to Chemical & Biological Defense Command	-56.9
b. Elimination of Special Weapons mission	-6.4
c. Update of Standards	1.3
d. Workload mix and other	-11.1
9. FY 1996 Current Estimate	1,668.9
10. Productivity initiatives/Other efficiencies	-25.8



DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/1997 PRESIDENT'S BUDGET  
DEPOT MAINTENANCE - OTHER

11. Pricing Adjustments:	44.9
a. Civilian Pay	20.2
b. Fuel	.1
c. Material and Supplies	15.8
d. General Purchase Inflation	8.8
12. Program Changes	-32.1
a. Civilian Personnel Regionalization Savings	-3.3
b. Elimination of Maint Mission at Tooele Army Depot	-6.5
c. Workload mix changes	9.5
d. Contract out guards and firefighters	-15.7
e. Voluntary Separation Incentive Program and reduction in force	21.6
f. Other changes	-37.7
13. FY 1997 Estimate	1,655.9

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET  
DEPOT MAINTENANCE-ORDNANCE

**FUNCTIONAL DESCRIPTION:**

The Depot Maintenance-Ordnance manufacturing and ordnance activities are managed by the US Army Industrial Operations Command (IOC). They manufacture, renovate, and demilitarize materiel for all branches of DoD, as well as providing depot operations, depot maintenance, set assembly, tenant support, and national procurement services for thin and thick wall cannons. They are responsible for logistics management including follow-on procurement, production, maintenance, engineering and integrated logistics support management. They also furnish engineering services in support of production, industrial management, value engineering, configuration management, international logistics, tools and equipment engineering, product assurance, transportation and traffic management for assigned systems and materials.

**BUSINESS AREA COMPOSITION:**

Pine Bluff Arsenal	Pine Bluff, Arkansas
Rock Island Arsenal	Rock Island, Illinois
Watervliet Arsenal	Watervliet, New York
Crane Army Ammunition Activity	Crane, Indiana
McAlester Army Ammunition Plant	McAlester, Oklahoma

The budget includes the establishment of the U. S. Army Industrial Operations Command (IOC) became operational 1 October 1994, consolidating management of the Army DBOF Depot Maintenance - Other, (formerly Depot systems Command) and elements of the former Army Armament, Munitions and Chemical Command including DBOF Depot Maintenance - Ordnance. The IOCs mission is to build a viable world-class industrial infrastructure to produce quality munitions, large caliber weapons while providing the full range of maintenance service for modern weapons and life cycle management of ammunition for all American and allied services.

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET  
DEPOT MAINTENANCE-ORDNANCE

IOC commands all Army depots, depot activities, ammunition plants, three arsenals, and other Army industrial activities. IOC performs ammunition procurement, installation and environmental management, and provides centralized management and decentralized execution of ammunition and weapons system production, maintenance, and storage. IOC is a major subordinate command of the U. S. Army Materiel Command. This consolidation results in management headquarters cost savings that are reflected in the budget.

The budget reflects the Depot Tiering Concept which separates depots into three tiers according to their strategic importance to the logistics power projection of the US Army and other Services. This change in how and where installations store and distribute ammunition is part of the plan to streamline the industrial organization, reduce unneeded infrastructure, and reduce costs.

Tier I sites serve as the active core of the ammunition storage and distribution system, storing, receiving and issuing training ammunition and war reserves to meet critical ammunition needs in the first 30 days of a conflict. Ordnance installations Crane Army Ammunition Activity and McAlester Army Ammunition Plant, as well as Blue Grass and Tooele Army Depots, were selected as Tier I facilities. Initial impact of Tier I status is increased workload in FY 1995 through FY 1997 as ammunition is repositioned or demilitarized.

Tier II sites, the "Cadre Level," augment Tier I sites, storing war reserve materiel for the second 30 days (and following) of conflict. They also perform maintenance and demilitarization services.

Tier III "Caretaker" sites will store decreasing amounts of excess and obsolete items and perform demilitarization until 2002, by which time the Depot Tiering Concept envisions they will no longer store ammunition. Initially, Tier III sites will see an increase in workload due to demilitarization and shipping of ammunition.

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET  
DEPOT MAINTENANCE-ORDNANCE

Depot Maintenance-Ordnance will decapitalize its toxic chemical munitions mission at Pine Bluff Arsenal (PBA) to the US Army Chemical Biological Defense Command (CBDCOM) in FY 96, together with 87 civilian and 27 military spaces. Overhead rates at Pine Bluff Arsenal (PBA) will rise as the direct labor hour base falls. CBDCOM will become a tenant of PBA.

Business area managers are developing more efficient and cost effective management techniques such as contracting for firefighters and security guards, creating production-line teams, and hiring temporary and term employees to meet surge workloads and increase the flexibility of the workforce.

**BUDGET HIGHLIGHTS:**

**Personnel:**

	FY 94	FY 95	FY 96	FY 97
Civilian End Strength	6,125	5,136	5,055	4,775
Civilian Work Years (Regular)	6,320	6,118	5,594	5,513
Military End Strength	74	54	25	25
Military Work Years	60	60	25	25

The budget displays an overall downward trend in manpower levels consistent with current workload projections. Reduced manpower levels will be achieved through continued VERA/VSIP, and hiring freezes. Civilian end strength decreases by 22% from 6,125 in FY 94 to 4,775 at the end of FY 97. These reductions are a result of efforts to align the work force with decreasing workload. Additionally, the end strength decreases in FY 97 as firefighters and security guards are contracted out.

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET  
DEPOT MAINTENANCE-ORDNANCE

**Costs, Operating Results (OR), and Rates:**

	FY 94	FY 95	FY 96	FY 97
Costs of Goods & Services Sold	570.9	566.4	531.9	531.9
Net Operating Results	-10.9	59.7	4.3	-0-
Accumulated Operating Results	-63.9	-4.3	-0-	-0-
Customer Revenue Rate Per DLH	\$78.48	\$98.73	\$84.78	\$99.43
% Rate Change from Prior Year	-7.0%	+25.8%	-14.1%	+17.3%
Unit Costs (\$/DLH)	\$86.62	\$82.46	\$88.56	\$90.27
DLH (000)	6,591	6,869	6,006	5,892

**Costs.** Total costs decline 14.5% from FY 94 to FY 97. Decrease in civilian personnel compensation is primarily due to decreased workload and as a result of overall Department of Defense downsizing. Other significant changes include:

**Personnel:** Decreased military personnel compensation (FY 95) due to conversion to civilian equivalent pay levels. Military compensation further declines in FY 96 due to Toxic Chemical mission transfer to CBDCOM. Watervliet Arsenal plans a Reduction in Force of up to 198 involuntary separations, effective February 1995. Budget reflects effect of contracting out 178 firefighters and guard personnel in FY 97.

**Materials:** Decreased fuel costs (FY 95) offset increase in Purchased Utilities (Non-DBOF), caused by converting from oil to natural gas at Watervliet Arsenal. Materials costs rise in FY 95, driven by the War Reserve project at Rock Island Arsenal, which consists of packaging and containerizing Class IX or AR-3 (Prepo Afloat) equipment and weapons systems' spare and repair parts. Costs decline for the remainder of the budget period, in conjunction with reduced orders and production schedules.

**Fixed Assets:** Depreciation rises as prior years' capital investments are installed and total fixed assets increase.

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET  
DEPOT MAINTENANCE-ORDNANCE

**Unit Costs.** Despite decreasing costs, reduced total direct labor hours (DLHs) cause unit cost to rise from \$82.46 per DLH in FY 95 to \$88.56 per DLH in FY 96. Unit cost increases in FY 97 to \$90.27 are primarily the result of spreading fixed costs over diminished direct labor workload.

**Net Operating Results.** The DBOF operates on a break-even basis over the long term. The Army sets annual revenue rates to achieve positive or negative results, balancing Accumulated Operating Results to zero in the budget year. The business area's effectiveness is measured by comparing performance to goal, rather than simple calculation of net operating results.

**Accumulated Operating Result Recovery.** The customer revenue rate per DLH is reflective of the attempt to bring budget years' accumulated operating results to zero. The rate changes of 14.1% in FY 96 and 17.3% in FY 97 are made up of the following factors:

	FY 96	FY 97
Recoupment of prior year gains	-25.3%	-3.0%
Inflation/Pay Raise	5.6%	7.4%
Recovery of subsequent year inflation	4.3%	2.5%
Depreciation	1.3%	.4%
Workload Mix	4.4%	17.9%
Underutilized plant capacity costs		-8.3%
Military personnel costs	-.5%	
Contract Guards/Firefighters		.4%
Productivity initiatives	-3.9%	

**Productivity Initiatives/Cost Reductions.** Depot Maintenance-Ordnance has implemented plans to comply with directed productivity targets. Initiatives include capital investment, value engineering, Army Ideas for Excellence, methods and standards, and other programs. Cost projections and rates have been adjusted to reflect effects of productivity initiatives.

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET  
DEPOT MAINTENANCE-ORDNANCE

**Performance Indicators.** Schedule conformance is the chief measure of Depot Maintenance-Ordnance performance effectiveness. The goal for FY 95 through FY 97 is 90% of production completed on schedule.

**Capital Budget.** The capital budget for Depot Maintenance-Ordnance totals \$21.7 million for FY 96 and \$17.5 million for FY 97. Details are provided in the Capital Budget section of this submission.

DEFENSE BUSINESS OPERATIONS FUND  
ARMY DEPOT MAINTENANCE - ORDNANCE  
REVENUE AND EXPENSES  
(Dollars in Millions)

	FY 1994	FY 1995	FY 1996	FY 1997
	-----	-----	-----	-----
Revenue:				
Gross Sales	567.0	626.1	536.2	531.9
Operations	(534.0)	(597.2)	(507.8)	(502.7)
Capital Surcharge	(3.0)			
Depreciation exc Maj Const	(26.8)	(28.8)	(28.4)	(29.2)
Major Construction	(3.2)			
Other Income				
Total Income	567.0	626.1	536.2	531.9
Expenses:				
Transportation	0.8	0.8	0.8	0.9
Salaries and Wages:				
Military Personnel	3.1	2.5	1.5	1.6
Civilian Personnel	278.5	282.2	258.7	251.8
Materials, Supplies and				
Parts used in Operations	109.7	113.2	104.7	88.5
Facility Repair Charge	25.2	25.4	26.1	26.9
Depreciation - Capital	28.0	33.1	35.9	36.7
Engineering Services	11.2	11.9	12.3	12.6
Lease Costs	15.8	16.5	16.9	17.4
Purchased Utilities	13.8	16.5	16.9	17.4
Purchased Communications	0.3	0.4	0.4	0.4
Equipment Maintenance	6.1	6.2	6.4	6.6
Fuel	4.5	2.8	2.9	3.0
Other Expenses	53.8	48.5	42.6	47.2
Total Expenses	550.8	559.9	526.3	510.9
Work in Process Adj	20.1	6.5	5.6	21.0
Cost of Goods Sold	570.9	566.4	531.9	531.9
Operating Result	(3.9)	59.7	4.3	(0.0)
Other Changes Affecting NOR/AOR	(3.6)			
Prior Year and other adjustments	(3.4)			
NET OPERATING RESULT	(10.9)	59.7	4.3	0.0
Prior Year AOR	(53.0)	(63.9)	(4.3)	
Accumulated Operating Results	(63.9)	(4.3)	0.0	0.0



DEFENSE BUSINESS OPERATIONS FUND  
 ARMY DEPOT MAINTENANCE - ORDNANCE  
 SOURCE OF REVENUE (NEW ORDERS)  
 (Dollars in Millions)

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>
1. New Orders	430.0	543.2	504.1	447.3
a. Orders from DoD Components:				
Army	292.5	371.1	336.9	283.2
Navy	6.0	3.8	11.8	13.6
Air Force	0.4	0.2	0.2	1.2
Marine Corps	0.0	1.7	1.7	1.9
Dept of Defense	1.7	3.3	4.2	4.9
b. Orders from Fund Business Areas	32.8	35.4	41.8	37.0
Supply Management Army (DBOF)	31.7	34.4	40.8	35.9
Depot Maintenance (DBOF)	1.1	1.0	0.9	1.0
c. Conventional Ammunition	32.9	68.2	57.6	44.5
Working Capital Fund (CAWCF)				
d. Total DoD	366.3	483.7	454.1	386.2
e. Other Orders:	63.7	59.5	50.0	61.1
Foreign Military Sales (FMS)	62.4	56.0	46.1	54.2
Non-DoD Agencies	1.3	3.5	3.9	6.9

DEFENSE BUSINESS OPERATIONS FUND  
ARMY DEPOT MAINTENANCE - ORDNANCE  
CHANGES IN COSTS OF OPERATION  
(Dollars in Millions)

	Expenses
1. FY 1994 Actual	570.9
2. FY 1995 Estimate in President's Budget	580.8
3. Total Pricing Adjustments:	5.7
a. Civilian Personnel	6.4
b. Fuel Price	-0.7
4. Total Program Changes:	-20.1
a. Supplies, Materials, Equipment	13.8
b. Transportation	0.3
c. Depreciation	-6.4
d. Other	-27.8
5. FY 1995 Current Estimate	566.4
6. Total Pricing Adjustments:	11.9
Annualization of Prior Year Pay Raises	1.4
FY 1996 Pay Raise	
a. Civilian Personnel	4.9
b. Military Personnel	0.0
c. Fund Price Changes	-0.2
d. General Purchases Inflation	5.9
7. Productivity Initiatives & Other Efficiencies	-8.3
a. Capital Investment	-2.0
b. Value Engineering	-4.1
c. Methods & Standards	-0.8
d. Other Initiatives	-1.3

DEFENSE BUSINESS OPERATIONS FUND  
ARMY DEPOT MAINTENANCE - ORDNANCE  
CHANGES IN COSTS OF OPERATION  
(Dollars in Millions)

	Expenses
8. Program Changes:	-38.2
a. Transfer of the chemical demil mission to Chemical & Biological Defense Command.	-4.9
b. Reduced workload at Watervliet (RIF 200)	-5.0
c. Depreciation	2.8
d. Workload Changes	-36.7
e. Other: Working down funded backlog	5.6
9. FY 1996 Estimate	531.9
10. Total Pricing Adjustments:	14.4
Annualization of Prior Year Pay Raises	1.7
FY 1997 Pay Raise	
a. Civilian Personnel	5.8
b. Fund Price Changes	1.5
c. General Purchases Inflation	5.4
11. Productivity Initiatives & Other Efficiencies	-8.4
a. Capital Investment	-2.3
b. Value Engineering	-4.0
c. Methods & Standards	-0.7
d. Other Initiatives	-1.4
12. Program Changes:	-6.0
a. Contracting out 178 firefighters and guards	
1. Savings	-6.9
2. Outsourcing Costs	4.1
3. Transition Costs	3.6
b. Depreciation	0.8
c. Workload Changes	-28.6
d. Other: Working down funded backlog	21.0
13. FY 1997 Estimate	531.9

DEFENSE BUSINESS OPERATIONS FUND - ARMY  
FY 1996/FY 1997 PRESIDENT'S BUDGET  
INFORMATION SERVICES

**FUNCTIONAL DESCRIPTION:**

The Information Services business area provides for development and operational sustainment of automated information systems (i.e., requirements definition, system design, development, testing, integration, implementation support, and documentation services).

**BUSINESS AREA COMPOSITION:**

Systems and Integration Management	Chambersburg, PA
Systems and Integration Management	St. Louis, MO
Software Development Center,	Fort Huachuca, AZ
Fort Huachuca	
Software Development Center	Fort Lee, VA
Fort Lee	
Software Development Center	Fairfax, VA
Washington, DC	

**BUDGET HIGHLIGHTS:**

In FY 1996, the Army added the Central Design Activities to the existing Information Services Business Area in the Defense Business Operations Fund (DBOF). During FY 1996, the business will operate on a cost reimbursable basis. For FY 1997, rates will be established and the business will operate under the total DBOF concept.

**Personnel:**

	FY 94	FY 95	FY 96	FY 97
Civilian End Strength			1,285	1,285
Civilian Work Years (Regular)			1,285	1,285
Military End Strength			300	300
Military Work Years			300	300

DEFENSE BUSINESS OPERATIONS FUND  
 ARMY INFORMATION SERVICES  
 REVENUE AND EXPENSES  
 (Dollars in Millions)

	FY 96 -----	FY 97 -----
Revenue:		
Gross Sales		
Operations	185.3	185.3
Total Income	185.3	185.3
Expenses:		
Transportation	0.1	0.1
Salaries and Wages:		
Military Personnel	10.0	10.3
Civilian Personnel	62.0	64.4
Materials, Supplies, and Parts used in Operations	1.8	2.0
Contracted Engineering Services	23.7	24.4
Lease Costs	2.4	2.1
Purchased Utilities	0.2	0.2
Purchased Communications	2.0	2.1
Equipment Maintenance	1.9	2.0
Other Expenses	81.2	77.7
Total Expenses	185.3	185.3
Operating Result	0	0
Other Changes Affecting NOR/AOR	0	0
NET OPERATING RESULT	0	0
Prior Year AOR	0	0
Accumulated Operating Results	0	0

DEFENSE BUSINESS OPERATIONS FUND  
 ARMY INFORMATION SERVICES  
 SOURCE OF REVENUE (NEW ORDERS)  
 (Dollars in Millions)

	<u>FY 96</u>	<u>FY 97</u>
1. New Orders		
a. Orders from DoD Components:		
Army	177.1	176.8
Navy	1.3	1.3
Air Force	1.0	1.0
b. Orders from other Fund Business Areas	7.4	7.5
c. Total DoD	186.8	186.6
d. Other Orders:		
Other Federal Agencies	4.8	5.0
Trust Fund		
Non Federal Agencies		
2. Total Gross Orders	191.6	191.6
3. Change to Backlog	-6.3	-6.3
4. Total Gross Sales	185.3	185.3

DEFENSE BUSINESS OPERATIONS FUND  
 ARMY INFORMATION SERVICES  
 CHANGES IN COSTS OF OPERATIONS  
 (Dollars in Millions)

	<u>Expenses</u> -----
1. FY 1995 President's Budget	N/A
2. Pricing Adjustments	N/A
3. Productivity Initiatives	N/A
4. Other Program Changes/Workload	N/A
5. Other Changes	
Transfer from appropriated funds to DBOF	185.3
6. FY 1996 Estimate	185.3
7. Pricing Adjustments:	3.5
a. Pay Raise	2.7
b. DBOF Supply purchases - Non Fuel	0.2
c. Other Fund purchases	0.1
d. General Purchase Inflation	0.5
8. Other Program Changes/Workload:	-3.5
Workload Changes	-3.5
9. FY 1997 Estimate	185.3

## **CAPITAL BUDGET**



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# **BUSINESS AREA CAPITAL BUDGET SUMMARY**

Component: Army  
Supply Management, Army  
February 1995  
(\$ IN MILLIONS)

Line Number	Item Description	FY 94		FY95		FY96		FY97	
		Quantity	Tot Cost	Quantity	Tot Cost	Quantity	Tot Cost	Quantity	Tot Cost
96-1	Equipment		2.000						
96-2	-Replacement								
96-3	Mini-Computer System			1	0.300	1	0.300	1	0.300
96-4	Product Production Equipment Replacement			167	0.470				
96-5	Material Management Equipment Replacement			318	1.230	85	0.350	85	0.350
96-6	Logistics and Maintenance Equip Replacement			39	0.195	72	0.360	72	0.360
96-8	ADPE and Telecommunications Equipment					1	0.390	1	0.390
96-20	Kearney & Trecker Machining Center								
	Data Servers			1	0.150				
	Joint Logistics Systems Center			2	0.755				
	Software				11.500		7.500		8.600
96-17	Single Stock Fund		14.000						
96-18	Standard Army Automated Contracting System				3.000				
96-19	Funding/Availability Multi Method Allocation for Spares				3.500		0.400		
					0.600				
	Total		16.000		18.600		11.000		10.000

SUPPLY MANAGEMENT, ARMY  
FY 1995 DBOF CAPITAL PURCHASES  
DEFERRALS, CANCELLATIONS, SUBSTITUTIONS

ARMY  
(\$ IN 000)

- |   |         |
|---|---------|
| 1. Supply Management, Army - Tank Automotive Command (TACOM)  | \$74    |
| a. Replacement Equipment <\$500K - Electronic Scanning Microscope   |         |
| b. Cancellation   |         |
| c. Workload did not materialize; funded workload did not justify cost of acquisition.   |         |
| 2. Supply Management, Army - Aviation & Troop Command (ATCOM)   | \$90    |
| a. Replacement Equipment <\$500K - Replacement Instrumentation for Camouflage & Deception Devices   |         |
| b. Cancellation   |         |
| c. Due to a decrease in contract price, ATCOM was able to purchase all required devices in FY 94. The FY 95 portion was not required.                                     |         |
| 3. Supply Management, Army - Missile Command (MICOM)  | \$136   |
| a. ADPE & Telecommunications - LAN Cabling, Server, and Software Upgrade  |         |
| b. Cancellation   |         |
| c. Due to a decrease in contract price, MICOM was able to purchase the upgrade in FY 94. The FY 95 portion was not required.  |         |
| 4. Supply Management, Army - Strategic Logistics Agency   | \$3,000 |
| a. Software Development - Single Stock Fund (SSF)   |         |
| b. Substitution   |         |
| c. SSF creates a single managed stock fund system for consumable and repairable secondary items. FY 95 capital authority is for a Proof of Principle test and evaluation. |         |

SUPPLY MANAGEMENT, ARMY  
FY 1995 DBOF CAPITAL PURCHASES  
DEFERRALS, CANCELLATIONS, SUBSTITUTIONS

ARMY  
(\$ IN 000)

- |  |       |
|--|-------|
| 5. Supply Management, Army - Deputy Chief of Staff, Logistics  | \$600 |
| a. Software Development - Funding/Availability Multi Method Allocation for Spares (FAMMAS)   |       |
| b. Substitution  |       |
| c. FAMMAS is a direct outgrowth of the Meyer Readiness Task Force. The FAMMAS model is an Air Force developed analysis tool being adapted by the Army to predict replenishment funding requirements based on sustaining equipment readiness ratios. The intent is to bring this model on-line at the earliest possible date and use it during the FY 97 Budget update cycle. |       |

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)										A. Budget Submission FY 96/97 President's Budget	
B. Component/Business Area/Date Supply Management, Army February 1995				C. Line No. & Item Description Mini-Computer System 96 - 1				D. Activity Identification Missile Command (MICOM)			
		FY 94		FY 95		FY 96		FY 97			
Element of cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost		
Hewlett Packard Mini-Computer							1	300	300		
							1	300	300		

Defense Business Operations Fund Direct Mission

This requirement is necessary to replace an existing system that supports Procurement Automated Data and Document System (PADDS). The current system is outdated and serves approximately 100 users. With the prospects of additional personnel from other commands moving to MICOM, more users will be required to use the system. Failure to procure the needed equipment will result in many insufficiencies, such as inability to communicate with other commands, and will delay in preparing solicitations, amendments, contract awards, modifications and other contractual documents. This requirement will expand the capabilities in workplace automation. The computer system will allow the acquisition center to accomplish these assigned functions and missions in a more timely manner. The software applicable to be used on Hewlett Packard 9000 is Oracle at an estimated cost of \$49,000.00.

Hewlett Packard 9000 series super mini-computer software: Operating system oracle database management system.

The economic analysis shows this system will save \$257K over a two year period and save three workyears in productivity.

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)													A. Budget Submission FY 96/97 President's Budget						
B. Component/Business Area/Date SUPPLY MANAGEMENT, ARMY (SMA) February 1995		C. Line No. & Item Description 96-2			FY 94			FY 95			FY 96			FY 97			D. Activity Identification Communication & Electronic Command (CECOM)		
		Quantity		Unit Cost		Total Cost		Quantity		Unit Cost		Total Cost		Quantity		Unit Cost		Total Cost	
Hardware Replacement of Incompatible 286 Computers  Printers														142		2.96		420	
														25		2		50	

The Product Integrity and Production Engineering (PIPE) Directorate has a total of 142 computers and 25 printers which are over 7 years old. These computers and printers are the Defense Business Operations Fund (DBOF) SMA share of the requirement. They will be used to support the 182 workyears of SMA support required from PIPE in FY 96. Current computers and printers are incompatible with the new Command Standard Windows based software.

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)										
B. Component/Business Area/Date SUPPLY MANAGEMENT, ARMY (SMA) February 1995		C. Line No. & Item Description Materiel Management Equipment Replacement 96-3					A. Budget Submission FY 96/97 President's Budget D. Activity Identification Communication & Electronic Command (CECOM)			
Element of cost  Replacement of Personal Computers	FY 94			FY 95			FY 96			FY 97
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Unit Cost
							318	3.87	1230	85
										4.13
										350

The Directorate of Materiel Management (DMM) requires replacement of personal computers. The DBOF SMA account funds 85 % of the DMM payroll. Based on a BRAC decision, DMM, along with the other HQ elements of CECOM, must move to the Main Post of Fort Monmouth by 1996. The data information infrastructure designed by the Directorate for Corporate Information (DCI) for the use on the Main Post will make the existing personal computers virtually useless as tools in a network environment. Their only value will be as stand alone personal computers. Such conditions would render over 65% of the Directorate workforce under-productive, since these obsolete personal computers would not support a Windows Software Environment, provide file transfer capability or encourage a paperless workplace.

An economic analysis was performed and showed cost benefit of \$8.9 million with the program having a 6 year payback period and saving 259 manyears of labor in the seventh year.

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)										
B. Component/Business Area/Date SUPPLY MANAGEMENT, ARMY (SMA) February 1995			C. Line No. & Item Description Logistics & Maintenance Equipment Replacement 96-4			D. Activity Identification Communication & Electronic Command (CECOM)			A. Budget Submission FY 96/97 President's Budget	
Element of cost	FY 94			FY 95			FY 96			FY 97
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	
Replacement of Personal Computers							36	5	180	5
Replacement of Laptops							3	5	15	72
										360

The Logistics and Maintenance Directorate (LMD) is funded for payroll as follows: 36% = SMA, 40% = Reimbursable, and 24% = OMA. This justification applies to the SMA portion only.

The Logistics and Maintenance Directorate has approximately 500 people on its roles. Each employee is a heavy user of state of the art computer technology. Some of our technology will reach its expected end of its useful life during FY 95.

Approximately one fifth of our equipment will need replacement every year in order to remain current. This fact has been known and successfully planned for in the past, and in fact has been built into the LMD Automation Plan, and briefed to the Logistics Readiness Center and blessed by the Directorate for Corporate Information (DCI). Without this planned replacement our assets will be in more frequent need of repair, cause loss of productivity and will no longer run the state of the art software that is necessary for productivity.

We plan to follow the CECOM Directorate for Corporate Information (DCI) lead as to configuration for FY 95. If necessary we will use their recommended contractor.

The purchase of 3 new notebook computer's to replace 8 year old Zenith Laptops for travel and special assignments away from the work area is also included. These are to be of notebook or smaller variety and must be compatible with desktop hardware and designated standard configurations.

An economic analysis identified project as an offset to the requirement to replace one fifth of existing equipment each year.





BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)										
B. Component/Business Area/Date SUPPLY MANAGEMENT, ARMY February 1995			C. Line No. & Item Description K&T Machining Center 96-6			A. Budget Submission FY 96/97 Presinent's Budget D. Activity Identification Tank & Automotive Command (TACOM)				
Element of cost	FY 94			FY 95			FY 96			FY 97
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Total Cost
Kearney & Trecker (K&T) Machining Center (MC) Hardware/Integration/ Software							1	150	150	

TACOM'S Design Manufacturing Technology Directorate functions largely as an engineering design unit and a support organization/job shop. The primary mission is to provide spare/repair custom parts for secondary items for all assemblies and major combat weapon systems. This directorate supports DBOF secondary item managers with production quantities of secondary items that can not be procured because of the bankrupt companies or propriety items. The machining process constitutes the majority of the fabrication shops workload. The engineering design group has the hardware to design, develop and reverse engineer the parts in question but no means to collect the data. The current K&T Machining Center machine located in the fabrication shop is inoperable due to faults found in the controller system. There are no spare parts in the TACOM inventory for this machine controller, all parts must be fabricated. The company that manufactured the controller has been phased out. All Repair work on the K&T machine controller must be done by contractors at premium prices. There is only one MC machine operational in the shop. All production of parts must stop when this machine requires maintenance. A fully operational machine would provide a machine backup capability which could be used to schedule maintenance on the other machine.

The proposed project is to upgrade the machine with the latest technology controller. A proposed increase in spare/repair and custom parts for secondary items will develop in two areas because of an aging fleet and reduced defense procurements. TACOM is encountering difficulty in supplying production items due to sole source items, low density systems, vendor failures and out of production items. The K&T MC machine, if operational would provide the machine shop the capability to set up one part while another part is being machined or machine two parts at the same time. The K&T machine provides a unique feature that other MC machines do not provide, the machine has four axis machining capability which allows machining of all four sides of a part without removing it from the fixture. This would result in less downtime of machines & more accuracy of machining. This would also provide the shop with additional rework capacity without time constraints. The installation of the open architecture tool controller will provide the capability to transfer CAD drawings directly from the engineering workstations to MC programs used for machining parts. This will result in faster service to customers with less rework.

An economic analysis was performed. Savings of \$382 Thousand will be realized.



BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)										A. Budget Submission FY 96/97 President's Budget			
B. Component/Business Area/Date Supply Management, Army February 1995		C. Line No. & Item Description Single Stock Fund Proof Of Principle Execution 96-17				D. Activity Identification Strategic Logistics Agency (SLA)							
		FY 94			FY 95			FY 96			FY 97		
Element of cost		Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Single Stock Fund Proof of Principle (POP)								3000					
CURRENT PROCESS: The Single Stock Fund (SSF) will merge current inventory accounts for secondary items into a single entity for management at the national level.													
ANTICIPATED BENEFITS: Validation of the SSF concept and business practices; automated system and lessons learned during the POP for application during Army-wide implementation; validation of functional requirements for input to Corporate Information Management (CIM) standard asset management system.													
PROJECTED START/COMPLETION DATE: 1 Jun 94 - 31 Dec 94.													
IMPACT IF NOT FUNDED: Inability for Army to complete POP to determine benefits and projected savings from Defense Management Report Decision and centralized asset ownership, on-line visibility, and management business practices. This includes financial integration capability to facilitate success of the Army's Integrated Sustainment Maintenance (ISM) Program.													
TOTAL COST OF THE PROJECT: Unknown.													
COST BENEFIT: An economic analysis for Army SSF is in process; preliminary economic analysis projected \$300M over 6 years after full Army implementation. Estimated reduction in retrograde pipeline of 17 to 28 days; Army wide benefits are not available but the Forces Command FY 93 serviceable pipeline is \$4M per day.													

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)												A. Budget Submission FY 96/97 President's Budget
B. Component/Business Area/Date Supply Management, Army February 1995		C. Line No. & Item Description Standard Army Automated Contracting System 96 - 18										D. Activity Identification PEO STAMIS
Element of cost	FY 94			FY 95			FY 96			FY 97		
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost
Standard Army Automated Contracting Systems (SAACONS)				1	3500	3500						

SAACONS responds to Executive Order 12352, March 1992, which directed the development of a standardized government-wide procurement system. SAACONS is the most complete and sophisticated automated contracting package in the Federal government today. It uses enhanced commercial-type software and automated data processing equipment to support 256 Army Installation contracting offices. SAACONS significantly increases productivity and efficiency in the operation of contracting offices by automating the entire spectrum of contracting functions: contract document processing, preparation of orders, tracking all contractual actions, and preparing management reports. SAACONS has reduced procurement administrative lead time by up to 50%, while increasing the quality of controls and contract administration. SAACONS uses existing standard requirements contracts and competitively awarded requirements contracts. A validated savings of over \$300M will result over a ten-year period through reductions in overtime, preprinted forms, interest penalty costs, and being able to take advantage of discounts. Other non-quantifiable benefits are timely closeout of contracts, increased customer satisfaction, reduced paper flow and standardization.

The replacement of existing hardware (fielded in 1985, 1986 and 1987) is required to provide POSIX compliant systems with Command and Control (C2) level security capability and 95% reliability of operations to support Congressional and DoD managed use of electronic commerce for simplified procurement.



BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (\$ in Thousands)											
B. Component/Business Area/Date		C. Line No. & Item Description						D. Activity Identification		A. Budget Submission	
SUPPLY MANAGEMENT, ARMY February 1995		Materiel Mgmt Standard Sys(MMSS) ADPE Equipment 95-20						Joint Logistics Systems Center (JLSC)		FY 96/97 President's Budget	
Element of cost	FY 94			FY 95			FY 96			FY 97	
	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost	Total Cost	Quantity	Unit Cost
Hardware											
Mid Tier						3320					
User Level						8180					
TOTAL HARDWARE						11500			7500		8600
									7500		8600
These funds are to support the fielding of the Materiel Management Standard System (MMSS) being developed by the Joint Logistics Systems Center to the Army Inventory Control Points (ICPs). During the recent budget review, the responsibility of budgeting for acquisition of hardware for Fiscal Years 1995-1997 was transferred from the JLSC to the Military Services and Defense Logistics Agency.											
The MMSS was created in response to the DoD initiative to standardize logistics systems across DoD. Over the past two years the JLSC, working with the Military Services and the Defense Logistics Agency (DLA), has evaluated the processes of the DoD Inventory Control Points (ICPs), selected and developed the most optimum automated information systems to support improved standard business practices. This request funds the continued deployment of these systems to the Department ICPs.											
The type and amount of equipment needed is dependent upon the size of each site and the availability and applicability of equipment currently at that site. This requirement is based upon site surveys representative of various size sites. As deployment to a specific site nears, and taking into account acquisition lead times, a final survey will be conducted to confirm requirements. Representative configurations vary in size from those including servers at approximately \$314K per site to personal computer workstations with 17 or 15 inch displays at \$3. - \$2.7K per site and X-terminal workstations at \$2K per site. This represents a mixture of those configurations dependent upon deployment schedule and site requirements.											
The MMSS will provide a radically improved functional capability to the Military Services and DLA, reduce costs for information services and establish a systems infrastructure on which DoD can improve the way it does business. Specific improvements include; reduced inventories through better management; reduced labor requirements; reduced overhead costs; and improved control of assets. Once implementation is completed, legacy applications will be reduced or eliminated decreasing ADP costs markedly.											

<b>BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION</b> (\$ in Thousands)		<b>A. Budget Submission</b> FY 96/97 President's Budget
<b>B. Component Business Area/Date</b> Supply Management, Army February 95	<b>C. Line No. and Item Description</b> JLSC Materiel Management Standard System (MMSS) 96-20	<b>D. Activity Identification</b> Joint Logistics Systems Center (JLSC)
<p>The projected reductions in the DoD inventories cannot be met without an improved supply management infrastructure. In addition, the Department cannot comply with its objective to standardize information systems and business practices and effectively implement throughout the Department ICPs. This initiative supports the sustainment of readiness in a downsizing environment.</p> <p>Economic Analysis: The gross benefits of MMSS implementation and the anticipated Business Process Improvements have not yet been determined, cost recoveries are expected to provide components the ability to live within the Defense Management Report Decisions withdrawals already taken. A revised FEA will be completed in March 95.</p>		



BUSINESS AREA CAPITAL BUDGET SUMMARY									
Component: Army									
Business Area: Depot Maintenance - Other									
Date: February 1995									
(Dollars in Millions)									
Line Number	Item Description	FY 1994		FY 1995		FY 1996		FY 1997	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	EQUIPMENT		61.7		16.6		31.4		29.3
M-1	Replacement (>\$500,000)								
M-2	Electron Beam Welder					1	1.6		
M-4	Plasma Spray Cells					3	2.3		.6
M-5	Engine Test Cell Upgrade						2.4		
M-6	Integrated Family of Test Equipment					1	1.8		15.4
	Metal Finishing Facility Support					1	1.5		
M-7	Replacement (<\$500,000)				6.5		18.1		12.6
M-8	Productivity								
M-10	Rubber Products Modernization				1.8		2.1		
	Indoor Radar Test Site								
M-11	Environmental Compliance				.4		1.6		.7
M-12	Waste Minimization Capitalization								
	Account (UMCA) (<\$500,000)								
	Fume/Dust Collection System								
M-14	New Mission				2.6				
M-15	DMPE, Wheeled Track Combat Vehicles				5.3*				
	DMPE, Aircraft								
M-17	ADPE & TELECOMMUNICATIONS		.3		2.0		18.0		9.5
M-18	Sperry 5000 Systems Replacement					8	4.2		
M-19	Network File Servers						.2		
M-20	Personal Computers						.1		
M-21	Computer Assisted Eng Expansion						.9		2.9
M-23	Fiber Optic LAN						7.2		
	Depot Maintenance Standard System (DMSS)				2.0		5.4		6.6
M-22	MINOR CONSTRUCTION		8.4		5.9		13.5		11.3
	Various Minor Construction Projects				5.9		13.5		
	GRAND TOTAL		70.4		24.5*		62.9		50.1
	* Includes FY 94 carryover of \$2M.								

DEPOT MAINTENANCE - OTHER  
FY 1995 DBOF CAPITAL PURCHASES  
DEFERRALS, CANCELLATIONS, SUBSTITUTIONS

ARMY  
(\$ IN 000)

- |  |          |
|--|----------|
| 1. Depot Maintenance - Other - Depot Systems Command (DESCOM)  |          |
| a. New Mission - Depot Maintenance Plant Equipment (DMPE), Weapons & Tracked Combat Vehicles   | \$10,302 |
| b. Cancellation of projects  |          |
| c. Capital projects totaling \$7,750 were canceled as a result of the FY 95 Appropriation Act cap on obligations for the DBOF capital program. |          |
| 2. Depot Maintenance - Other - Depot Systems Command (DESCOM)  |          |
| a. New Mission - Depot Maintenance Plant Equipment (DMPE), Aircraft  | \$7,674  |
| b. Cancellation of projects  |          |
| c. Capital projects totaling \$4,364 were canceled as a result of the FY 95 Appropriation Act cap on obligations for the DBOF capital program. |          |
| 3. Depot Maintenance - Other - Depot Systems Command (DESCOM)  |          |
| a. New Mission - Depot Maintenance Plant Equipment (DMPE), Commo   | \$6,172  |
| b. Cancellation  |          |
| c. Capital project was canceled as a result of the FY 95 Appropriation Act cap on obligations for the DBOF capital program.                    |          |
| 4. Depot Maintenance - Other - Depot Systems Command (DESCOM)  |          |
| a. New Mission - Depot Maintenance Plant Equipment (DMPE), Other   | \$51     |
| b. Cancellation  |          |
| c. Capital project was canceled as a result of the FY 95 Appropriation Act cap on obligations for the DBOF capital program.                    |          |

DEPOT MAINTENANCE - OTHER  
FY 1995 DBOF CAPITAL PURCHASES  
DEFERRALS, CANCELLATIONS, SUBSTITUTIONS

ARMY  
(\$ IN 000)

- |  |         |
|--|---------|
| 5. . Depot Maintenance - Other - Depot Systems Command (DESCOM), Corpus Christi  |         |
| a. Replacement Equipment <\$500K - Upgrade Engine Test Cells Phase 4   | \$1,200 |
| b. Cancellation  |         |
| c. Capital project was canceled as a result of the FY 95 Appropriation Act cap on obligations for the DBOF capital program.                  |         |
| 6. Depot Maintenance - Other - Depot Systems Command (DESCOM), Corpus Christi  |         |
| a. Replacement Equipment <\$500K - Plasma Spray Cells  | \$2,300 |
| b. Cancellation  |         |
| c. Capital project was canceled as a result of the FY 95 Appropriation Act cap on obligations for the DBOF capital program.                  |         |
| 7. Depot Maintenance - Other - Depot Systems Command (DESCOM), Corpus Christi  |         |
| a. Replacement Equipment <\$500K - CNC Vertical Grinder  | \$862   |
| b. Cancellation  |         |
| c. Capital project was canceled as a result of the FY 95 Appropriation Act cap on obligations for the DBOF capital program.                  |         |
| 8. Depot Maintenance - Other - Depot Systems Command (DESCOM)  |         |
| a. Replacement Equipment <\$500K - Waste Minimization Capitalization Account (WMCA)  | \$876   |
| b. Cancellation  |         |
| c. Capital projects totaling \$452 were canceled as a result of the FY 95 Appropriation Act cap on obligations for the DBOF capital program. |         |

DEPOT MAINTENANCE - OTHER  
FY 1995 DBOF CAPITAL PURCHASES  
DEFERRALS, CANCELLATIONS, SUBSTITUTIONS

ARMY  
(\$ IN 000)

- |   |         |
|---|---------|
| 9. Depot Maintenance - Other - Depot Systems Command (DESCOM), Corpus Christi   | \$1,560 |
| a. Replacement Equipment <\$500K - Electron Beam Welder   |         |
| b. Cancellation   |         |
| c. Capital project was canceled as a result of the FY 95 Appropriation Act cap on obligations for the DBOF capital program. |         |

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-1, Electron Beam Welder			FY 1996					D. Activity Identification Corpus Christi Army Depot
		FY 1994			FY 1995					FY 1997
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Electron Beam Welder								1	1,560	1,560
<p>This project replaces the existing electron beam welder, which is time worn and does not have the ability to measure, record, or program any welding parameters. In addition, it is not capable of real-time monitoring of the Electron Beam welding process. The equipment was manufactured in 1975 and is now obsolete. Maintenance costs are excessive (typically exceeding \$60K per year) and the equipment reaches the end of its life expectancy in FY 1995. Reliability is only 70% due to excessive down time. Parts are sent to Kelly Air Force Base when the equipment is broken generating additional overhead cost. The new Electron Beam Welder has the capability to weld certain types of materials in a vacuum atmosphere. It has a 32-bit Central Processing Unit, 3.5 and 5.25 disks, closed-circuit TV, combination linear rotary table, optical viewing system, and seam locating system.</p> <p>Without the proposed equipment, Corpus Christi Army Depot (CCAD) will continue to use the existing welder which suffers long periods of down time and operates inefficiently. Maintenance costs will continue to increase as the equipment deteriorates due to its advanced age and lack of parts availability. In addition, production costs will escalate. For example, increased production costs are: 1) Loss of production due to equipment downtime; 2) Production inefficiencies associated with slow vacuum pump down time, material processing procedures, and the manual steps required to actually weld the part; 3) CCAD will be required to transport the repair items to the nearest facility that is able to weld the items. CCAD eventually loses engine work load due to inability to process parts.</p>										

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget	
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-2, Plasma Spray Cells		FY 1995						FY 1997	
ELEMENTS OF COST		qty	Unit Cost	Total Cost	qty	Unit Cost	Total Cost	qty	Unit Cost	Total Cost	
Plasma Spray Cells					3	767	2,300				
<p>This project reduces production-cycle time and operating costs in processing metal sprayed parts. In addition, sufficient metal spray production capacity is established in order to ensure that parts are efficiently processed at the lowest possible cost. This is accomplished by developing smooth-flow production and by eliminating unnecessary work, such as: Excessive routing, queuing delays, and high work-in-process inventory. The majority of the present equipment is old and does not take advantage of the new technology.</p> <p>Set-up times are unnecessarily long as is the actual processing times. The cells provide flexibility by approaching just-in-time production. This means having the capability to process only the parts that are required - only when they are needed. The cells consist of equipment that has short set-up and processing times resulting in shorter production cycle times and lower production costs.</p> <p>If this equipment is not acquired, Corpus Christi Army Depot will continue to experience periodic production bottlenecks and delays in the metal spraying of parts resulting in long-production cycle times and high-production costs.</p>											

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-4, Upgrade Test Cell		FY 1996						D. Activity Identification Corpus Christi Army Depot
				FY 1994		FY 1995		FY 1996		FY 1997
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Upgrade Engine Test Cell Phase Three Phase Four, Five, and Six				800				2,400		600
<p>This project continues phases three, four, five and six of a six phased effort to replace the obsolete data acquisition and controls in Corpus Christi Army Depot's (CCAD) engine test cells to support the AH-1S/M and the UH-1 aircraft engines.</p> <p>Phase three (FY 1994): Replaces existing ATEC controls in cells 9, 10, and 12 with an off-the-shelf, commercial system that provides flexibility for adapting to T700, T800, C250, T-55L14, and other changing test requirements. The upgrade also provides enhanced capabilities for trouble shooting to reduce the engine rework. The new hardware and software conforms to published industry standards which enables plant wide communication with all future CCAD test systems.</p> <p>If this equipment is not acquired, CCAD has to continue to use the existing system which was installed in the early 1970's and is difficult and expensive to maintain, with most replacement parts unavailable. The existing equipment cannot be reconfigured to test T700 and future engines. Downtime is excessive because of bad connections and unstable electronics. Calibration procedures are tedious and required frequently.</p> <p>Phases four, five, and six (FY 1996/1997): Existing control room instruments are obsolete and electronic repair components are not available commercially. Calibration is unreliable which causes a large volume of false indications resulting in extensive rework. Configuration is locked in hardware and cannot accommodate new engine designs. FY 1996 equipment will be operational June 1996. FY 1997 equipment will be operational June 1997.</p> <p>A multi-year/phase economic analysis has been completed and validated. Test cells will be utilized approximately 2000 hours per year. Benefit to investment ratio is 2.8 to 1. If project is not approved, UH-1/AH-1 engine test cells at CCAD that have been partially modified will not be completed and therefore, will never be operational. CCAD is the only available installation that repairs these engines.</p>										

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget	
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-5, Integrated Family of Test Equipment Commercial Equivalent Equipment								D. Activity Identification Letterkenny Army Depot	
		FY 1994		FY 1995		FY 1996		FY 1997			
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	
Integrated Family of Test Equipment (IFTE) Commercially Equivalent Equipment (CEE)										1,800	
<p>The Integrated Family of Test Equipment (IFTE) Commercial Equivalent Equipment (CEE) is the Army standard automatic test equipment for testing electronic assemblies and printed circuit boards. This test station is required for additional capacity to run new test programs being developed to support the Multiple Launch Rocket System (MLRS). The MLRS electronic workload is transitioning from Red River Army Depot (RRAD) to Letterkenny Army Depot (LEAD) and requires use of multiple IFTE test stations to support operational testing of electronic components. The IFTE CEE test stations will replace older AN/USM-410 test stations presently testing MLRS at RRAD. The new IFTE test programs for the MLRS test updated components of the weapon system for which there is no test capability on the older AN/USM-410 test stations. The IFTE CEE also offers an increase in execution speed, which eventually reduces the total number of test stations required to support the MLRS. Expected useful life for the equipment is fifteen years.</p> <p>The total objective is to utilize five IFTE test stations to support the MLRS. Two IFTE test stations have been procured in prior years at a cost of \$2.7 million. One existing IFTE test station was diverted from Sacramento Army Depot and is currently in use at RRAD. One IFTE test station is included in the budget year, leaving one test station to be procured in subsequent years, depending on whether planned workload materializes.</p> <p>If the project is not funded, LEAD will not have an adequate number of IFTE test stations to accomplish the MLRS workload.</p>											



BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-6, Metal Finishing Facility Support			FY 1996					D. Activity Identification Red River Army Depot
		FY 1994			FY 1995					FY 1997
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Industrial Process Study Process Equipment Design Metal Finishing Facility (MFF) Equipment acquisition		1		12,784				1	1,544	1,544
										15,436

Fiscal year 1996 is the equipment design phase of a fiscal year 1997 Military Construction Appropriation (MCA) project to construct a consolidated state-of-the-art metal finishing facility for the efficient and environmentally responsible processing of aluminum, aluminum armor, steel, steel armor, stainless steel and magnesium components. Metal finishing operations currently are split among buildings 345 (first and second floors), 321 (second floor), and 333. Existing conditions pose operational, environmental health and safety problems that cannot be resolved in the facilities currently utilized. Capability of handling current and projected workloads in compliance with federal and state environmental regulations is absolutely essential. These regulations dictate that the Best Available Technology (BAT) and the Best Available Pollution Control Technology (BAPCT) be utilized in all facets of the operation. Consolidation is essential for operational efficiency and hazardous waste minimization. This project fulfills these requirements by replacing the outdated, fragmented, undersized and environmentally deficient facilities currently utilized.

Fiscal year 1997 is the equipment acquisition phase of this multi-year modernization project. Parameters from the Process Equipment Design phase will be utilized for this acquisition. Specific equipment line items can not be determined until completion of the Industrial Process Study.

Prior year: The fiscal year 1994 requirement was for the performance of a study evaluating current industrial operations, evaluating current processes and process flows, safety and environmental concerns, and equipment and process methods. This study determines the best process for the surface preparation, plating, painting, and waste water treatment operations to be located in a new Metal Finishing Facility. Results from this study are being used in the development of an economic analysis for this project.

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget			
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-7, Various Other Equipment (<\$500,000)								D. Activity Identification All Depots			
		FY 1994			FY 1995			FY 1996			FY 1997		
ELEMENTS OF COST		qty	Unit Cost	Total Cost	qty	Unit Cost	Total Cost	qty	Unit Cost	Total Cost	qty	Unit Cost	Total Cost
Various Other Equipment, Under \$500,000							6,500			18,100			12,618
<p>This represents various modernization/replacement equipment costing &lt;\$500M, which will improve depot efficiency through replacement, modification, or addition of production and maintenance capability and compliance with regulatory requirements. Includes the acquisition and installation of capital investment items valued between \$.050M and \$.500M with a useful life of two years or more. Equipment consists of replacement and productivity items to support organic maintenance overhaul, rebuild, conversion, renovation, modification, and repair programs at Army Defense Business Operations Fund installations. Examples of the equipment to be purchased are hydraulic test stands, gas chromatograph, engine lathe, Computer Numerically Controlled (CNC) lathe drilling and milling machine, bridge crane, test equipment, parts carousel, and hydraulic press.</p> <p>Replacement of equipment is due to age, condition or non-availability of repair parts.</p> <p>Acquisition of this equipment improves efficiency, increases capacity that cannot be met with current equipment, replaces unsafe or inoperative/unsuitable assets and includes requirements for environmental hazardous waste reduction or regulatory agency (local, state, Federal) mandated requirements. This new equipment increases reliability and productivity, thus enabling the depots to be more competitive.</p> <p>If not approved, equipment support capability would not provide for mission needs and would impact in the following ways:</p> <ul style="list-style-type: none"> <li>a. Reduction in mission capability.</li> <li>b. Failure to meet present and future workload requirements.</li> <li>c. Increased manhour expenditure.</li> <li>d. Inability to meet production schedules.</li> <li>e. Excessive downtime/inability to obtain repair parts.</li> <li>f. Inaccuracy/dependability.</li> </ul>													

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget							
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-8, Rubber Products Modernization								D. Activity Identification Red River Army Depot							
FY 1994												FY 1995		FY 1996		FY 1997	
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost		
Bushing/Shoe Assembly (Single Pin Track)						279											
Pin/Block Assembly (Double Pin Track)						343											
Adhesive Application (Bushings and Pads)						234											
Omnibus Design Engineering						338											
Adhesive Application (Track Shoes)						620											
Total			4,769			1,814											
Fiscal years 1994 and 1995 are the final two years of a five-year plan to modernize Red River Army Depot's Roadwheel and Track Shoe Remanufacturing Facility. The thrust of this project is to upgrade all equipment and processes used in the Rubber Products Division to state-of-the-art technology while concurrently addressing productivity improvements, safety, hazardous waste minimization, environmental enhancements, energy conservation, and quality assurance. This project pays for installation costs.																	
The Economic Analysis was originally validated in May 1990 and revalidated in FY 1994 based on current work load projections and costs. Undiscounted annual savings equal \$6.7M upon project completion. Annual savings associated with projects funded in FYs 1994 and 1995 total over \$1M upon completion.																	

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget			
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-10, Indoor Radar Test Site Equipment								D. Activity Identification Tobyhanna Army Depot			
		FY 1994			FY 1995			FY 1996			FY 1997		
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Indoor Radar Test Site Equipment								1	2,067	2,067			
<p>This equipment provides the depot with the most reliable, effective and efficient radar testing and antenna analysis system necessary to support mission requirements.</p> <p>Currently, the testing of the radar workload items is performed at two outside locations at the depot; the antenna pattern range and radar test site. These sites are 3000 to 6000 feet from the maintenance and electronic shop operations. High productivity losses are encountered during handling and relocation to and from the sites, especially during inclement weather. Outside ranges are shut down for safety reasons during inclement weather.</p> <p>The planned indoor radar test range is vital in providing the capability required to support the ongoing progression of state-of-the-art improvements and effectively support the radar workload requirements in today's competitive market.</p> <p>To accomplish the plan for the indoor radar test range, an economic analysis was completed. The equipment cost is \$2,067,200 with a delivery date of December 1997. The economic analysis reflects a savings to investment ratio of 1.06 and payback in 7.65 years. If the project is not approved, Tobyhanna Army Depot (TOAD) will not be able to support new state-of-the-art antenna systems. Their ability to respond to mobility and rapid deployment requirements will be diminished.</p>													





BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)											A. BUDGET SUBMISSION FY 96/97 President's Budget	
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-14, Production Base Support, Weapons and Tracked Combat Vehicles									D. Activity Identification Anniston & Red River	
		FY 1994			FY 1995			FY 1996			FY 1997	
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Weapons and Tracked Combat Vehicles, DMPE/NWSS						2,552						
New Weapon System Support (NWSS) DMPE establishes initial maintenance and repair capability at organic depots for weapon systems that have been directed to transfer from contractor logistics support to organic logistics support.												
Anniston Army Depot (ANAD) equipment: The ANAD portion of this equipment is for M1A2 support, which is projected to have a useful life of twenty years. Failure to provide funds for this project will mean that ANAD cannot support maintenance and repair of the M1A2 and the Army will have to solicit contractor support as an alternative.												
Economic analysis has been completed and covered all three years of investment. Present value of savings is \$746,000 for the life of the project based on the economic analysis.												

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-15, Production Base Support, Aircraft			FY 1996					D. Activity Identification Corpus Christi & Anniston
		FY 1994			FY 1995					FY 1997
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Aircraft, Depot Maintenance Plant Equipment (DMPE)							3,300			
<p>Corpus Christi Army Depot (CCAD): This project is a continuation of the ongoing effort to transition the maintenance of the UH60A Blackhawk, OH580 Kiowa, and CH47D Chinook into the organic base. Funds will procure Depot Maintenance Plant Equipment (DMPE). Transition of individual components include rotors, airframes, gearboxes, and flight control systems for repair at Corpus Christi Army Depot (CCAD).</p> <p>If the equipment is not procured the aviation readiness will decline due to a lack of code A repair components being available in the supply system. Components that have transitioned to organic depot level maintenance will backlog at the depot resulting in a huge investment to procure new repair parts to maintain the supply level necessary as required by aviation units Army-Wide.</p>										



BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget			
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-17, Sperry 5000 System								D. Activity Identification Various Depots			
		FY 1994			FY 1995			FY 1996			FY 1997		
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Super-mini (Annisston Army Depot)								1	400	400			
Super-mini (Blue Grass Army Depot)								2	400	800			
Super-mini (Corpus Christi AD)								2	400	800			
Super-mini (Letterkenny AD)								3	400	1,200			
Super-mini (Red River Army Depot)								1	400	400			
Super-mini (Sierra Army Depot)								1	400	400			
Super-mini (Tobyhanna Army Depot)								1	601	601			
Total				316				8		4,201			
Depots are presently using mandated systems such as Installation Equipment Management System (IEMS), Armed Forces Entitlement Systems (AFES), and Standard Army Contracting System (SAACONS). Base operations systems are being run on obsolete Central Processing Units (CPUs) and saturated 5000's with insufficient disk storage and memory.													
The new super-mini computers process applications more expeditiously and efficiently. Immediate savings in hardware maintenance and software licensing occurs. In addition, the new super-mini could be upgraded to satisfy future requirements.													
The replacement process began in fiscal year 1994 and continues through fiscal year 1996.													
Economic Analysis are available for the depots with savings investment ratios ranging from 2.0 to 3.0 for the super-mini's.													
The impact if funding is not provided is processing of applications on saturated Sperry's will continue to be backlogged, eventually operations could come to a virtual standstill. The ability to process mandated applications will be severely impaired. Depots will be unable to load new versions of these mandated applications. Hardware maintenance and software licensing costs will continue to rise.													

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget			
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-18, Network File Servers		FY 1994				FY 1995		FY 1996		FY 1997	
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Network File Servers													
Operating System Software					2	34	68						
Application Software					2	20	40						
Total						107	107						
<p>Applications and data that should be shared by groups are located on each individual's machine in the current process. If someone needs to share data with someone else, they must transport the data on a floppy disk. The file server will be a central repository of data that can be shared by all those connected to the network.</p> <p>Replacement of individual PC's with network file servers will tie the existing and planned computers together to share common resources such as software, databases, and printing facilities. The transfer and distribution of mail and files will be facilitated, resulting in improved communications and greater productivity. Tobyhanna Army Depot (TOAD) Directorate of Maintenance is the activity receiving the equipment.</p> <p>Estimated completion date is January 1996.</p> <p>An economic analysis exemption has been granted. A cost analysis and comparison of alternatives was performed.</p> <p>Without the power of the file servers the directorate has to continue to rely on redundant single level applications, and will be unable to take advantage of the efficiencies and productivity of networking. Continuing to use the present system will eventually result in the inability to perform essential mission related tasks as a consequence of reduced manpower without an offsetting increase in productivity.</p>													

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)						A. BUDGET SUBMISSION FY 96/97 President's Budget						
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-19, Personal Computers				D. Activity Identification Tobyhanna Army Depot						
FY 1994						FY 1995		FY 1996		FY 1997		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Replacements for 286 PC's							16	2.5	40			
Fileserver							1	10	10			
Communications Hardware								10	10			
System Software								15	15			
Application Software								54	54			
Total									129			
Currently obsolete 286 PC's are being utilized. These PC's can only run the older versions of application software. The machines break down frequently, and are not economical to repair.												
Replacement 486's have the ability to run the more advanced software applications, such as Windows operating systems as well as the latest versions of productivity enhancing application software. Acquisition of replacement machines will bring Tobyhanna Army Depot (TOAD) into compliance with requirements for standardization of hardware, software, and communications.												
An Economic Analysis exemption has been granted. Cursory cost analysis and comparison of alternatives has been performed.												
Without the power of the 486 personal computer replacements the depot is unable to take advantage of the efficiencies and productivity enhancing features of the newer application software. Current 286's cannot be used for Executive Information System (EIS) and other mandated systems that are on the way. TOAD will be unable to offset reduced manpower with increases in productivity.												

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget	
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-20, Computer Assisted Engineering (CAE) Expansion		FY 1996						D. Activity Identification Tobyhanna Army Depot	
				FY 1994		FY 1995		FY 1996		FY 1997	
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Total Cost
Computer Assisted Engineering (CAE) Expansion Equipment								1	945	945	
<p>The Production Engineering Division produces drawings using current limited capability Computer Assisted Engineering (CAE) system. Current system is more than eight years old, is obsolete, and has reached the end of its useful life.</p> <p>It is anticipated that the expanded CAE system increases accessibility of drawing data to the manufacturing engineers, numerical control programmers, and technical publications personnel. It provides the hardware necessary to automate the development of manufacturing engineering process plans that will be downloaded to the technicians on the shop floor. This especially benefits the fabrication side of the Tobyhanna Army Depot (TOAD) enterprise which at times approximates nearly 50% of its workload.</p> <p>An economic analysis has been performed. Savings to Investment ratio is 2.71. Present value of savings is \$2,476 and the payback period is approximately three years. Annual savings is estimated at \$309,000.</p> <p>The impact if not funded is Tobyhanna Army Depot will be unable to expand automation of the manufacturing engineering process plans to the shop floor. If TOAD is unable to replace obsolete CAE equipment, scarce manpower will be wasted using obsolete CAE equipment, adding to costs. Obsolete CAE also delays completion of projects. TOAD will be unable to meet the demands of its customers for fast turnaround of fabrication projects such as communications shelters which are often requested on short notice in response to various world crises.</p>											

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget		
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-21, Fiber Optic LAN, Phase I, II, III, IV, V, and VI						D. Activity Identification Corpus Christi Army Depot				
		FY 1994		FY 1995		FY 1996		FY 1997				
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Equipment Phase I, II, III, IV												
Equipment Phase V and VI												
<p>The current broadband Local Area Network (LAN) is a proprietary SYTEC 2000 system. This type of system will not provide future enhancement and integrated support services to effectively interface with other commands. The operational effectiveness of the current LAN is not in accordance with the current Army regulations.</p> <p>The anticipated benefits are to rehabilitate and extend the existing LAN through Integrated Services Digital Network (ISDN) Standards. This initiative will support Department of Army, Major Command installation architecture requirements. The projected start date is fiscal year 1996 with an anticipated completion date of fiscal year 1999.</p> <p>If this multi-year project is not funded, the Command will be unable to support Department of Defense and Department of Army's mandated Installation Information Transfer System (IITS) policy. Also, this requirement is critical in the integration of automation services to the functional (logistical and maintenance) areas throughout the depot. The activities to receive the equipment and system are all depot functionals in support of logistics and maintenance operations.</p> <p>The Fiber Optic Network is required to implement the Corporate Information Management (CIM) Defense Depot Maintenance Information System (DDMIS).</p>												

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget				
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95			C. Line No. & Description M-23, Depot Maintenance Standard System (DMSS) Hardware							D. Activity Identification Various Depots				
			FY 1994			FY 1995		FY 1996			FY 1997			
ELEMENTS OF COST			Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Hardware:														
Mid-Tier								1,029			5,400			6,581
User-Level								1,000						
TOTAL								2,029			5,400			6,581

These funds are to support the fielding of DMSS which is being developed by the Joint Logistics Systems Center for Army maintenance depots. During the recent budget review, the responsibility for hardware acquisition for FYs 1995-1997 was transferred from the Joint Logistics System Center (JLSC) to the military Services.

DMSS was created in response to the Department of Defense (DoD) initiative to standardize logistics systems across DoD and in accordance with the Services' related need for a more capable information systems technical infrastructure in their depots. Over the past two years, JLSC, working with the Services', has evaluated the business processes of the depots, investigated alternative maintenance management concepts and reviewed the Services' legacy environment, depot automated information systems development, efforts and commercially available systems. These efforts have sustained the need to modernize the platforms and hardware represented in this submittal.

DMSS provides the Services a revolutionary step forward in functional capability and automation, including a systems infrastructure upon which to make significant strides in business process improvement. Benefits are realized in two primary areas: business performance and information systems costs. Business performance is enhanced through the process improvements delivered by DMSS applications to support the Depot Maintenance Improved Functional Baseline (IFB). These improvements include: Reduced inventories through improved planning and tracking; reduced labor through better resource and work planning; reduced overhead through automation and the elimination of non value-added activity; shorter cycle times through better planning and management information to control operations; improved schedule performance through more complete asset visibility; and, once implementation is complete and legacy applications are reduced or eliminated, ADP costs will come down markedly.

Without this investment, needed improvements to the depots' business processes and infrastructure will not be achieved. Implementing enhanced repair and overhaul capabilities is a critical contribution toward improving mission readiness in a downsizing environment. As the DoD weapon systems continue to age and the workforce and number of depots are reduced, efficient and effective organic repair capability is of increasingly growing importance to DoD in maintaining weapon systems combat readiness. In order to meet this demand, the depot community needs to dramatically strengthen its business processes and the associated information infrastructure (hardware).

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BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget
B. Component/Business/Date ARMY/DEPOT MAINT - OTHER/FEBRUARY 95		C. Line No. & Description M-23, DMSS Hardware (continued)		FY 1994						D. Activity Identification Various Depots
				FY 1994		FY 1995		FY 1996		FY 1997
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Hardware:										
Mid-tier										
User-Level										
TOTAL										
<p>Economic Analysis: Net recoveries have not yet been determined. A Global Economic Analysis, which includes all DMSS applications and reflects the current JLSC/DM implementation plan, will be completed in March 1995.</p> <p>Recoveries are expected based on reduced acquisition of hazardous materials only. Savings do not include those realized from reduced waste, better management of shelf-life items, unimposed fines and reduced occupational health claims resulting from employee exposure.</p> <p>Interfaces: DMSS will be interfaced (vs. integrated) to support the October 1996 Initial Operational Site (IOS) deployment schedule. Interfacing will be done in four phases. First, the eight currently stand-alone applications will be interfaced with each other to establish the aggregate system, DMSS. This interface definition has begun through the functional Concept of Operations effort involving all Services. It will determine where data resides and how redundant or complementary pieces of functionality among the systems will be addressed through "internal" interfaces. Second, DMSS will be "externally" interfaced to that portion of each Service's legacy environment which remains after cutover to DMSS. Third, interfaces between DMSS and other Corporate Information Management Systems will be identified and developed, as required. Finally, DMSS applications that are already implemented as stand-alone systems or prior to DMSS IOC at a site may require modifications to interfaces existing with the legacy environment.</p>										





BUSINESS AREA CAPITAL BUDGET SUMMARY									
Component: Army									
Business Area: Depot Maintenance - Ordnance									
Date: February 1995									
(Dollars in Millions)									
Line Number	Item Description	FY 1994		FY 1995		FY 1996		FY 1997	
		Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost	Quantity	Total Cost
	EQUIPMENT		17.6		5.8		16.2		15.6
	Replacement (>\$500,000)								
96-A1	Various Capital Equipment <\$500,000				5.8		13.		14.3
96-A2	Linear X-Ray Accelerator						1.2		.8
96-A3	Bulk Dunnage Incinerator								
	Productivity						.7		.5
96-A4	Plant consolidation						1.3		
96-A5	Hi-Shear Mixer						.8		1.6
	MINOR CONSTRUCTION PROJECTS		3.		.8		.8		1.6
	(>\$50,000 <\$300,000)								
96-A6	Minor Construction Projects				.8				
	ADPE & TELECOMMO		.2				4.7		.3
96-A7	Sperry 5000 Personal Computers						2.4		
96-A8	Fiber Optic Network						2.		.2
96-A9	Misc ADP <\$100K						.3		.1
96-A10	Life Cycle Replacement of ADPE								
	TOTAL		20.8		6.6		21.7		17.5

DEPOT MAINTENANCE - ORDNANCE  
FY 1995 DBOF CAPITAL PURCHASES  
DEFERRALS, CANCELLATIONS, SUBSTITUTIONS

ARMY  
(\$ IN 000)

1. Depot Maintenance - Ordnance - Rock Island Arsenal	
a. Replacement Equipment <\$500K - 49 Inch Gear Cutting Machine	
b. Cancellation	
c. Workload did not materialize; funded workload did not justify cost of acquisition.	\$1,621
2. Depot Maintenance - Ordnance - Rock Island Arsenal	
a. Replacement Equipment <\$500K - Jig Grinder	
b. Cancellation	
c. Workload did not materialize; funded workload did not justify cost of acquisition.	\$559
3. Depot Maintenance - Ordnance - Army Armament, Munitions and Chemical Command (AMCCOM)	
a. Replacement Equipment <\$500K - Various Other Equipment	
b. Cancellation of projects	
c. Capital projects totaling \$4,284 were canceled as a result of the FY 95 Appropriation Act cap on obligations for the DBOF capital program.	\$10,084

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget							
B. Component/Business/Date ARMY/DEP MAINT - ORDNANCE/FEBRUARY 95		C. Line No. & Description 96-A1, Various Capital Equipment <\$500K								D. Activity Identification VARIOUS INSTALLATIONS							
FY 1994												FY 1995		FY 1996		FY 1997	
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	
Various Capital Equipment under \$500,000										5,800			13,000			14,283	
<p>Includes various pieces of capital equipment needed by Depot Maintenance - Ordnance installations. The items support production via equipment replacement and upgrade, provide for mission capability and environmental compliance. All items have been examined during on-site reviews made by Headquarters technical and financial staffs. Items are supported by economic analyses, and installation and command level prioritization.</p> <p>Replacement of equipment is due to age, condition, or non-availability of spare parts. Items include production and general support machines such as lathes, mills, grinders, chemical and explosive equipment and machine controls.</p> <p>Productivity items improve efficiency and reduce cost for the Load Assemble and Pack; renovation and demilitarization of ammunition; production of defensive chemical items; and manufacturing of cannon and weapons components. These items include modern presses, grinders, inspection equipment and cutters, plus state-of-the-art machining centers and materiel handling equipment.</p> <p>Meets customer requirements and takes advantage of business opportunities.</p> <p>Environmental compliance provides an alternate electrical power feed for a fire protection system.</p> <p>Impact to business area if funding is not provided: Excessive downtime and maintenance cost will be experienced due to equipment failure; an excessive reject rate and unnecessary cost will arise because productivity measures will not be implemented; and the potential for an environmental mishap will continue if the fire system is not provided with alternate power feed.</p>																	

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget									
B. Component/Business/Date ARMY/DEP MAINT - ORDANCE/FEBRUARY 95		C. Line No. & Description 96-A2, Linear X-Ray Accelerator		FY 1994				FY 1995				FY 1996				FY 1997			
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost			
Linear X-Ray Accelerator								1	1,211	1,211									
<p>The Linear X-ray accelerator provides a safer, cheaper, and better quality means of radiographing fuze/flare items. Currently, radiographing is done with a continuous-emitting COBALT 60 source. That is, the COBALT 60 source gives off radiation whether it's on or off (the source is shielded at all times in a specially-designed room). The source requires radioisotopes be replaced which increases possible environmental contamination, exposure to radiation, and additional safety hazards.</p> <p>As the source strength decreases, exposure time necessary to radiograph items increases and productivity slows down. In addition, radiation scattering increases and the quality of the radiograph decreases. Furthermore, when the source runs down it needs to be replaced; the linear accelerator does not half-life and does not need a replacement due to weakness because it has no source.</p> <p>The Benefit Analysis is completed. The payback period is ten years. The Linear X-ray accelerator results in the following benefits to the business:</p> <ol style="list-style-type: none"> <li>1) Eliminating the exposed radioactive material reduces program monitoring costs: Due to the nature of the effects of ionizing radiation exposure from radiation producing devices and radioactive materials, an intensive Radiation Protection Program is monitored by Crane Army Ammo Activity Safety, Naval Surface Warfare Center Safety (NSWC) and the NSMC Medical as well as by the Nuclear Regulatory Commission (NRC). Costs that will be reduced include administration, employee physicals, film badges and readings.</li> <li>2) Eliminating the radioactive source reduces quarterly and annual fees that are paid to the NRC for licensing and leak testing. Currently, fees average \$18K per year and repairs average \$20K per year.</li> <li>3) Increases Crane capabilities to radiograph large items (e.g., 2000 lb. bombs). Currently, Crane buys this service from other sources and is charged at the full overhead rate. Also, the COBALT 60 source is limited to radiographing one item and only small sizes. Cost to radiograph items at another location is reduced by \$62K per year.</li> </ol>																			





BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION										A. BUDGET SUBMISSION FY 96/97 President's Budget		
B. Component/Business/Date ARMY/DEP MAINT - ORDNANCE/FEBRUARY 95		C. Line No. & Description 96-A5, Hi-Shear Mixer				D. Activity Identification MCALISTER ARMY AMMO PLANT						
		FY 1994			FY 1995			FY 1996			FY 1997	
ELEMENTS OF COST		qty	Unit Cost	Total Cost	qty	Unit Cost	Total Cost	qty	Unit Cost	Total Cost	qty	Unit Cost
Hi-Shear Mixer Installation												
Total												
					1		1,200 100					
							1,300					

Currently, the PBX bomb loading facility operates with two 600 gallon hi-shear mixers. The automated mixing facility fills and mixes two batches of PBX simultaneously. The process is a static set to mix only 600 gallon quantities. A bowl full of mixture must be transferred into bomb bodies in the production line process within six hours due to set up qualities inherent in the mixture. The mixing process allows two mixtures or 2,400 gallons in a ten-hour shift. The 2,400 gallons of mixture constitutes the controlling time in the total production process. This quantity can be mixed and loaded into bombs in eight hours, leaving two hours of each ten-hour shift in which no PBX is available to load additional bombs.

The requested Hi-Shear Mixer allows the plant to mix sufficient PBX off line to load bombs for two additional hours.

Additional requirements are for loading of High-speed Anti Radiation Missiles and the Harpoon Missile Warhead on third-party contracts and other planned and potential warhead and projectile loading.

The plant has Navy and Air Force orders totaling approximately \$50M scheduled for production in FYs 95, 96, and 97. This mixer will greatly increase flexibility to load different types of munitions simultaneously without disrupting scheduled workload, saving line changeover costs.

An Economic Analysis has been performed. The Savings to Investment Ratio is 3.23:1.

Economic Life is 20 years and discounted savings during the economic life are \$4.1M.

PBX: Plastic Bonded Explosives

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)												A. BUDGET SUBMISSION FY 96/97 President's Budget
B. Component/Business/Date ARMY/DEP MAINT - ORDNANCE/FEBRUARY 95		C. Line No. & Description 96-A6, Various Minor Construction										D. Activity Identification VARIOUS INSTALLATIONS
		FY 1994			FY 1995			FY 1996			FY 1997	
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost
Various Minor Construction				7		800	15		759	31		1,553
Minor construction projects are needed to improve the infrastructure at Depot Maintenance - Ordnance installations. This includes minor modifications to real property, and upgrade of production, administration and plant utility areas. Examples include provision of handicapped access, improvement of materiel handling, replacement of plumbing, and ventilation and waste/storm water lines. Many minor construction projects are required to comply with environmental, safety, or health regulations/inspections.												
Economic Analyses support these minor construction efforts.												
FY 97 increase is due in part to replacement of railroad tracks at Crane Army Ammunition Arsenal.												



BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget
B. Component/Business/Date ARMY/DEP MAINT - ORDINANCE/FEBRUARY 95		C. Line No. & Description 96-A7, Sperry 5000 Personal Computers		D. Activity Identification VARIOUS INSTALLATIONS						
		FY 1994		FY 1995		FY 1996		FY 1997		
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	
Hardware										
Software										
Total										
						1,248				
						1,152				
						2,400				

Current systems are supported with aging Unisys computers that are expensive to maintain and cannot support emerging requirements. This project replaces Unisys computers with computers that have greater processing power and system capacity which supports emerging requirements and provides the infrastructure required to implement client-server architecture. This leads to greater command-wide access to corporate data and reduces overall costs. Migration to an open systems environment can be achieved through the acquisition of standard compliant hardware and software components. Sustainment costs are reduced dramatically as the workload of the current systems can be consolidated. Significant reductions in hardware and software maintenance and operation support requirements are realized. Depending on the number of concurrent users and specific processing environment costs, sustainment costs may be consolidated to a 12 to 1 ratio.

The alternative, to continue using existing computers, results in high maintenance costs and a risk of complete system failure due to lack of parts and system software.

Personal computers are for the following activities: Watervliet Arsenal, Crane Army Ammo Activity, Pine Bluff Arsenal, Rock Island Arsenal, and McAlester Army Plant.

The Economic Analysis is completed. The Savings to Investment Ratio is 3:1; Payback period is 3 years; and Net Present Value of Savings is \$790K.



BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget	
B. Component/Business/Date ARMY/DEP MAINT - ORDINANCE/FEBRUARY 95		C. Line No. & Description 96-A9, Misc ADP <\$100K				FY 1996				D. Activity Identification CRANE/ROCK ISLAND	
		FY 1994		FY 1995		FY 1996		FY 1997			
ELEMENTS OF COST	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Unit Cost	Total Cost
Graphics Workstation (Hardware)									82		
RISC Processors (Hardware)									72		
CAD System Upgrade (Hardware)									58		85
Desktop Software replacement									85		45
Operating Software											30
Mini computer replacement (Hardware)									30		
Total									327		160
These miscellaneous information management projects replace old/obsolete, and unrepairable equipment with current state-of-the-art equipment.											
Graphics Workstation: Personal computers are needed to furnish upgraded customer service locally and access/use end-ammunition information world-wide. Project is exempt from Economic Analysis due to the absence of any choice or trade-off among alternatives.											
Reduced Instruction Set Computer (RISC) Processors: Under the Standard Depot System redesign, systems must be able to operate under the Open Systems Interface (OSI). The existing systems are not OSI compatible and RISC processors (UNIX 5.4) are needed to be compliant and stay current with DoD standards.											
Computer Aided Design (CAD) System Upgrade: This project is required to upgrade existing CAD system hardware and software to enhance present mechanical design capabilities and replace the current Medusa system which is 7 years old and is not expandable for future needs. Economic Analysis is completed.											
The software and hardware is required to replace current equipment which is obsolete.											
Savings are realized through decreased maintenance and repair costs and reduced manhours to perform functions.											

BUSINESS AREA CAPITAL PURCHASES JUSTIFICATION (Dollars in Thousands)										A. BUDGET SUBMISSION FY 96/97 President's Budget	
B. Component/Business/Date ARMY/DEP MAINT - ORDNANCE/FEBRUARY 95		C. Line No. & Description 96-A10, Life Cycle Replacement of ADPE								D. Activity Identification ROCK ISLAND ARSENAL	
		FY 1994		FY 1995		FY 1996		FY 1997			
ELEMENTS OF COST		Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	Qty	Unit Cost	Total Cost	
ADP equipment/software/cabling								50		110	
<p>Life cycle replacement of hardware, software, and cabling connecting to the Rock Island Local Area Network (LAN). This equipment is mission essential in maintaining the communication links that allow Rock Island to access, inquire, and process transactions to remote hosts as well as to maintain access to E-mail and LANs for desktop automation</p> <p>Failure to perform life cycle replacement of obsolete network hardware causes the Director of Logistics (DOL) to continue to work with less than adequate tools necessary to perform the mission. Workplace automation efforts to improve production and efficiency are ineffective without continued surveillance and replacement of inadequate network equipment.</p> <p>Failure to acquire upgraded equipment causes the Department of Defense to be unable to maintain vital communication links with the Rock Island LAN, Defense Mega-Center, Defense Finance &amp; Accounting Service, and other DOL customers.</p>											